THE WHITE HOUSE

WASHINGTON

March 7, 2000

MEMORANDUM FOR THE SECRETARY OF HOUSING AND URBAN DEVELOPMENT
DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET
DIRECTOR, DOMESTIC POLICY COUNCIL

SUBJECT: Dedicating Federal Housing Administration (FHA) Revenues for Affordable Housing

One of the fundamental goals of my Administration has been to reinvent government, to make it serve the public better and restore public confidence in the institutions of government. The Department of Housing and Urban Development (HUD) has met these goals well. HUD's 2020 Management Reform Plan has transformed HUD from top to bottom, and helped HUD improve performance even as it has reduced the number of its employees. The Department has twice been recognized by the Kennedy School of Government for innovation in government.

Nowhere is the turnaround at HUD more evident than in FHA. In the early 1990s, FHA was in near-bankruptcy. Today, FHA and its Mutual Mortgage Insurance (MMI) Fund are financially healthier than they have been in decades. On March 6, HUD released the results of an actuarial review showing that the total value of the Fund in Fiscal Year 1999 was more than $5 billion above the total value reported for Fiscal Year 1998. These improvements in the Fund are due not just to recent economic prosperity, but also to fundamental changes in FHA. The Office of Management and Budget will assess the actuarial review to determine its accuracy, its implications for the overall status of FHA finances, and its consistency with my Administration's economic assumptions.

As you know, my Budget for Fiscal Year 2001 substantially expands our efforts to provide affordable housing. The Budget provides a total of $32 billion -- $6 billion more than last year -- with increases for all of HUD's core programs. And as the improved administration of HUD and the FHA make available additional resources, we will have the opportunity to do even more to ensure that all Americans have access to affordable housing.

Therefore, I direct you to report to me within 160 days your recommendations on how newly available funds can be used to further strengthen Federal housing programs and develop a plan to enhance comprehensive affordable housing opportunities.

William J. Clinton

Issue	OMB	FHA
Does actuarial review indicate that FHA receipts will be above the baseline?	No. The review shows that profit per dollar of business has risen. This increased profitability per unit is offset, however, by declines in the volume of mortgages. Taken together, these new assumptions show FHA receipts below the baseline.	FHA receipts depend on profit per unit and total volume of business. The actuarial review shows that profit per unit has risen x-y percent. OMB will publish new volume estimates with the next Budget.
New budget mechanism to dedicate a portion of FHA receipts to construction program?	Do not mention. Absent excess receipts, there is no reason to create a dedicated fund.	Dedicate a portion of FHA receipts to a new housing production trust fund.
Specify the amount of funding that should be used for housing production?	No. Simply state that housing production should be a priority for funding in FY 2002	Yes. Call for housing production program of $5 billion over five years.
When should spending begin?	Funding should be provided in the context of the FY 2002 Budget.	Housing production program should be a priority use of the reserved budget surplus.

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
THE OFFICE OF THE SECRETARY
WASHINGTON DC

March 20, 2000

Memorandum to: Thurgood Marshall Jr., Secretary to the Cabinet
cc: Bruce Reed, Assistant to the President for Domestic Policy
Gene Sperling, Assistant to the President for Economic Policy
Setti Warren
From: Jacquie Lawing, Chief of Staff (Acting)

Re: Proposal for Presidential Action: HUD's *Worst Case Needs* Housing Report

Secretary Cuomo has asked me to offer the White House the opportunity to release HUD's upcoming report *Rental Housing Assistance*, on March 27th. The report demonstrates that the Administration's housing policy is on the right track, and provides a strong factual basis for taking the next steps to ensure safe and affordable housing. The release of this report will give the President or the Vice President a chance to remind the nation of one of their most important themes: In this time of prosperity, there are still those left behind, and we must do everything we can to raise them up.

The report will be ready to release on March 27th. With HUD's Senate appropriations hearing on March 30th, this will be an ideal time to point out that despite the booming economy, worst case needs continue to increase throughout the nation -- and have now reached an all-time high of 5.4 million households, based on the 1997 data in the report. The findings in this report document an equally compelling conclusion: there is an urgent need to strengthen the federal government's role in assuring adequate supplies of decent and affordable housing for America's lowest-income families.

Many of the Administration's most recent actions are strongly justified by this report. The President's FY 2001 budget includes funding for 120,000 incremental vouchers, a critical next step toward reducing worst case needs. HUD's proposal to target 10,000 of these vouchers for housing production vouchers – for use with the Low Income Housing Tax Credit and FHA Multifamily Insurance – will create a total of 40,000 affordable new units.

Other elements of the Administration's FY 2001 budget will also play an important role in addressing the needs highlighted in this report. HOME and the Low-Income Housing Tax Credit (LIHTC) are successfully producing housing affordable to households near the very-low-income cutoffs. Other HUD programs supported and strengthened by the Administration provide additional critical assistance.

Another resource to address this problem, one just recently identified, is the improved performance of the Federal Housing Administration and its Mutual Mortgage Insurance (MMI) Fund. In FY 1999 the FHA MMI fund generated a surplus of $16 billion – more than $5 billion above the total value reported for FY 1998. These surplus funds can be an important source of additional funds to enhance HUD's affordable housing efforts. In fact, on March 7, 2000, President Clinton directed HUD and OMB to prepare recommendations for how best to use newly available funds to further strengthen federal housing programs and enhance comprehensive affordable housing opportunities.

We believe the release of HUD's *Rental Housing Assistance* gives the White House the opportunity to celebrate our successes while laying out the blueprint for where we need to go next. Please feel free to call me at 708-2713 with any questions or feedback. I appreciate your consideration.

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

FAX COVER SHEET

From the office of Jacquie M. Lawing

Phone: 202/708-0270 **Fax:** 202/708-4087

DATE: 3/20/2000 **PAGES INCLUDING COVER:** 2

TO: Bruce Reed

PHONE #:

FAX #: 456-2878

COMMENTS:

THE WHITE HOUSE

WASHINGTON

March 7, 2000

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William J. Clinton

hud NEWS

Department of Housing and Urban Development – Andrew Cuomo, Secretary
Office of Public Affairs, Washington, DC 20410

HUD No. 00-48
(202) 708-0685
http://www.hud.gov/news.html

FOR RELEASE
Wednesday
March 8, 2000

PRESIDENT REQUESTS PLAN TO USE ADDITIONAL FUNDS GENERATED BY FHA FOR AFFORDABLE HOUSING

WASHINGTON – Responding to a new report that says the Federal Housing Administration has generated additional funds beyond previous projections, President Clinton today requested recommendations on how to best use excess FHA revenues to expand the supply of affordable housing over the next five years.

A report released Monday says the value of the FHA Insurance Fund for Fiscal Year 1999 was more than $5 billion above previous estimates.

The President issued a directive today to Housing and Urban Development Secretary Andrew Cuomo and Office of Management and Budget Director Jack Lew requesting "recommendations on how newly available funds can be used to further strengthen federal housing programs and develop a plan to enhance comprehensive affordable housing opportunities."

Recommendations could include subsidizing the construction of new affordable rental housing, downpayment assistance programs to increase homeownership, and other initiatives.

"One of the fundamental goals of my Administration has been to reinvent government, to make it serve the public better and restore public confidence in the institutions of government," the President said in his directive to HUD and OMB. "The Department of Housing and Urban Development has met those goals well..... And as the improved administration of HUD and the FHA make available additional resources, we will have the opportunity to do even more to ensure that all Americans have access to affordable housing."

"More than 5 million struggling American families are in desperate need of affordable housing," Cuomo said. "These families now spend over half their income on housing and they can barely make ends meet. Investing any excess funds from FHA to help these families get the housing they need will help transform their lives and will help revitalize communities across our nation."

-more-

FHA, which is part of HUD, generates revenue through its Mutual Mortgage Insurance Fund. The fund collects revenue from fees FHA charges for mortgage insurance. FHA currently returns funds it generates above expenses to the U.S.Treasury each year.

Because of successful management reforms at HUD and FHA, FHA is now expected to bring in additional funds between the years 2002 and 2006 above projections contained in the President's proposed Federal Budget for Fiscal Year 2001.

An independent report issued Monday by the accounting firm of Deloitte & Touche concluded that FHA is in its strongest financial condition since it was created in 1934, with a record economic value of $16.6 billion.

The Deloitte & Touche study says the record $16.6 billion economic value of the FHA's insurance fund is an increase of $5.3 billion over 1998. The study says this improvement will withstand potential economic downturns. The economic value of the fund is defined as the sum of existing capital plus the value of current insurance in force.

The report also states that FHA's capital adequacy ratio is 3.66 percent – far in excess of the Congressionally mandated goal of 2 percent. The capital adequacy ratio is the economic value of the fund divided by the total insurance in force.

In addition, Deloitte & Touche found that FHA has made a remarkable turnaround from just ten years ago. The FHA insurance fund had an economic value of negative $2.7 billion in 1990. FHA suffered years of mismanagement in the 1980s, and by 1990 it had projected losses from claims on mortgage insurance far in excess of projected revenue. Absent radical restructuring, a costly federal bailout seemed inevitable.

FHA does not make mortgage loans directly, but rather insures loans made by private lenders to homebuyers. Last year FHA insured a record 1.3 million mortgages worth $125 billion. Because FHA mortgage insurance protects lenders from losses, it has enabled 30 million American families who would otherwise be locked out of the mortgage market and homeownership to qualify for mortgages.

FHA now insures about 6.7 million mortgages. When homeowners fail to make payments on mortgages insured by FHA, the agency first tries to help them stay in their homes through foreclosure avoidance. If this is not successful, the lender forecloses on a home and conveys it to FHA in exchange for FHA payment of the outstanding mortgage balance. FHA then puts the home up for sale.

-more-

FHA-insured loans also benefit homebuyers in these ways:

- FHA downpayments of 3 percent are lower than the minimum that many lenders require for non-FHA mortgages. Higher downpayments are a major roadblock to homeownership.
- FHA's requirement for homebuyer credit ratings are more flexible than those set by many lenders for non-FHA borrowers.
- FHA permits homebuyers to use gifts from family members and non-profit groups to make their entire downpayment, while conventional loans generally require homebuyers to come up with a portion of the downpayment from their own funds.
- FHA permits a borrower to carry more debt than a private mortgage insurer typically allows.

##

DEPARTMENT OF HOUSING & URBAN DEVELOPMENT
OFFICE OF THE GENERAL COUNSEL
451 7TH STREET SW
WASHINGTON, DC 20410

MAX STIER
DEPUTY GENERAL COUNSEL

Fax

To:	Bruce Reed	**From:**	Max
Fax:	456-5542	**Pages:**	4
Phone:	202-456-5595	**Date:**	March 7, 2000
Re:	News Release	**CC:**	

☐ **Urgent** x **For Review** ☐ **Please Comment** ☐ **Please Reply** ☐ **Please Recycle**

● **Comments:**

4 Nonprofit Groups Plan 193,800 Low-Income Housing Units

By MICHAEL JANOFSKY

WASHINGTON, March 13 — Chiding the Federal Government for not providing more low-income housing, officials from four nonprofit organizations pledged today to spend $13 billion on new housing over the next four years.

The money, the officials said, will be used to build 193,800 units in more than 2,400 communities across the country. In the last four years, the groups said, they have raised $8.9 billion and built 136,300 units in 1,940 communities.

"Whether they want to hear it or not, this is a challenge to public leaders who say nothing more can be done," Paul S. Grogan, the president and chief executive of one group, the Local Initiatives Support Corporation, said at a news conference in announcing the plan. "It's time to stop kidding ourselves and finish the job of making affordable housing available to every American."

Mr. Grogan and officials from the other organizations — Habitat for Humanity International, the Enterprise Foundation and the National Neighborworks Network — said they were making such a large commitment because they felt that neither Congress nor the Clinton Administration was adequately responding to a growing demand for affordable housing, which they asserted had reached 10.5-million families.

Millard Fuller, the president and chief executive of Habitat, called it "ridiculous, shameful and disgraceful" that the Government had not done more. Taking aim at housing problems in the District of Columbia, one of many cities in dire need of more low-income units, Mr. Fuller said, "Why should the capital of the richest nation on earth not have subsidized housing?"

But an official at the Department of Housing and Urban Development disagreed with assertions that the agency was ignoring the problem of finding suitable shelter for low-income people.

Michael Stegman, the chief of staff to Housing Secretary Andrew M. Cuomo, said the department intended to spend $46 billion over the next four years "to help those with the greatest housing needs" through programs that produce new housing units and provide vouchers for existing units.

Mr. Stegman said the Housi[ng De]partment was also adding to th[e sup]ply of new housing through [other] means, including a current pr[ogram] that demolishes old, high-rise [hous]ing projects and replaces the[m with] town-house units spread [in] working-class and middl[e-class] neighborhoods. Often, he sa[id, as] many as half of the high-rise [units] have long been abandoned o[r have] become uninhabitable.

Referring to the depart[ment's] spending projections, Mr. Ste[gman] added: "Is that enough mone[y?] There will never be enough mo[ney to] meet all the housing needs i[n this] country. Do we want more? S[ure.]"

F. Barton Harvey 3d, the cha[irman] and chief executive of the Ente[rprise]

PHOTOCOPY
PRESERVATION

e Housing Units

sidized housing?"

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Mr. Stegman said the Housing Department was also adding to the supply of new housing through other means, including a current program that demolishes old, high-rise housing projects and replaces them with town-house units spread among working-class and middle-class neighborhoods. Often, he said, as many as half of the high-rise units have long been abandoned or have become uninhabitable.

Referring to the department's spending projections, Mr. Stegman added: "Is that enough money? No. There will never be enough money to meet all the housing needs in this country. Do we want more? Sure."

F. Barton Harvey 3d, the chairman and chief executive of the Enterprise Foundation, said that as Congress strained to balance the budget by 2002, private fund-raising efforts would become increasingly important in meeting the demand for new housing.

The Housing Department has requested an increase of $5.6 billion in budget authority for the 1998 fiscal year, largely to cover expiring contracts that provide 4.4 million people with low-cost housing. Otherwise, Mr. Harvey said, the housing budget would remain relatively flat, at about $19.1 billion for 1998, compared with about $19.2 billion for this year.

The nonprofit organizations said the new housing units would be awarded through local community groups.

File: Housing-Legislation

Bruce/Jonathan —
We should make sure to get into this loop at the earliest opportunity. I doubt this is the SAP we would have written.
Elena

Bruce N. Reed
05/06/97 01:07:59 PM

Record Type: Record

To: Elena Kagan/OPD/EOP

cc:
Subject: Housing Bill

--------------------- Forwarded by Bruce N. Reed/OPD/EOP on 05/06/97 01:13 PM ---------------------------

[redacted]

Record Type: Record

To: Bruce N. Reed/OPD/EOP

cc:
Subject: Housing Bill

The SAP actually opposes the bill, unless certain amendments are made. They list 8 different areas we want changed, but they probably don't all rise to the level of a veto.

The most important are fixes to the assistance targeting in the House bill, and the most important targeting fix we want is a Section 8 income limit for new admissions (90% at or below 60% median income, 40% at or below 30%). We want tighter targeting requirements for PHAs and tenant-based assistance as well, although at least some OMB folks concede that the argument against tight PHA targeting -- it creates clusters, and cultures, of poverty -- makes sense.

Of the other fixes, there are only two I think you might be interested in.

First, we want to delete requirement of a self-sufficiency agreement between PHAs and tenants or assistance recipients. In the House bill, this has two components: the 8 hour service requirement, and a contract with adults that sets a targeted graduation date. Our bill includes the service requirement, but not the contract; instead our proposal "clarifies" that "it would be the PHA's job to assist State welfare agencies," presumably on the logic that housing offices shouldn't be welfare offices...

Second, we want to delete the requirement that private owners of federally assisted housing are provided with conviction information about applicants and tenants. Hmmm...

Of other interest: HR2 (and our alternate as well, I assume) includes $290 million for 98 and 99 for a new grant to fight crime in and around public or assisted housing; expands access to NCIC, and Rahm's sex offender registry; and mandates 3 years of ineligibility if a family is evicted for a drug-related crime.

Let me know what else you want to know.

Public Housing Needs Reform, Too

By Jason Turner

MILWAUKEE

Across the country, seismic changes to welfare, schools and social programs like foster care are under way. Yet the nation's public housing system has remained holed up, largely immune from these sweeping reform movements.

Every year, we pour billions of dollars into renovating and maintaining public housing. But we require no self-help efforts from tenants, though people who receive welfare in the form of cash assistance must now work or go to school. Wisconsin's welfare department tried to team up with the Milwaukee public housing administration last year to coordinate a program to help residents obtain private-sector jobs. But it was impossible to do that under public housing law.

Federal rules permit local housing authorities to require nonworking tenants to sign a "self-sufficiency" agreement, basically a promise to participate in a program aimed at moving them into jobs. But the regulations also say that tenants who "elect not to participate" cannot be denied housing benefits.

Worse, tenants who have their welfare benefits reduced if they refuse to participate in the work programs required under the new welfare law can, under the public housing rent formula, get partial recompense in the form of rent reductions. Those tenants who do go to work see their rent increased; what motivation do they have to succeed at a job if they know their neighbors are not penalized for staying at home?

Here's another example of outmoded law obstructing sound policy. Taxpayers are dumping what amounts to more than $90,000 *per apartment* to renovate one of Milwaukee's public housing projects. For that money, we could buy each tenant a single-family home with a nice lot. But the real question is who will be selected to live in these fine new units once they are completed. It would make sense to reward families that have shown they can care for an apartment, and that have a working head of household who can pay higher rent and thus help support the project.

These are important status rewards for tenants who are responsible, and the public housing system should support them, just as the cash welfare system has been changed to support and reward those who try to help themselves. But the existing public housing entitlement program, which was created in 1937, the same year as Aid to Families With Dependent Children, fails to take this into account.

Give cities more power. Reward working tenants.

Now Representative Rick Lazio, a New York Republican who is chairman of the subcommittee with jurisdiction over public housing, has introduced a bill, scheduled for a vote this month, that would repeal the Housing Act of 1937 and substitute sensible, comprehensive reforms. The measure is by no means as revolutionary as an earlier effort to introduce vouchers for public housing, nor is it as ambitious as the welfare law. But it would make management and tenants more accountable. (A companion bill in the Senate is weaker.)

Yet the public housing lobby objects to a provision of the House bill that would change the stultified rules, giving cities a chance to devise better and more flexible ways of managing their housing stock: In exchange for that flexibility, the Department of Housing and Urban Development would require housing authorities to meet higher management standards.

Sounds like reinventing government. Why do the public housing authorities object?

They don't mind having flexibility, but the reform bill would upset their relationship with HUD, which provides most of their money and tells them how they must operate. Mayors and city councils would be allowed to go directly to the Federal agency with ideas for change. The large housing authorities say that's not necessary. They claim that they can reform themselves, and that giving local public officials a say in management would only politicize the system.

In some cases this has been true. But even independent of city officials, public housing has been politicized and mismanaged for decades. Most mayors have not played a large and constructive role in public housing because they consider it outside their jurisdiction: Under current law they usually have an indirect relationship with their housing authorities.

But if local politicians have a greater stake in the system, they will see it as something they must be accountable for. While some mayors will not rise to the occasion, others, like Mayor Rudolph Giuliani of New York and Mayor John Norquist of Milwaukee, can be expected to seize the new opportunities.

We have learned from permitting states to reform welfare that only by allowing a hundred different solutions can the truly superlative ones, with the potential to revamp the entire system, be identified. Public housing is a form of welfare, and the voters' patience for it can no longer be sustained without serious reform. It's time for New Democrats and urban liberal defenders of public housing to join with Republicans to make sure that the changes proposed by the House bill are turned into law. □

Jason Turner, director of the Federal welfare program during the Bush Administration, helped plan Wisconsin's recent welfare overhaul.

The New York Times

TUESDAY, APRIL 8, 1997

BJW
Cynthia
Jose
- Should we support?
BR

The Techno-Terror of 1897

By Barry Golson

A menace that corrupts youth and sows conspiracies.

As a new century draws nigh, a dire threat to the morals and fabric of society looms before us.

Many describe this new network, by which machines residing in the very bosom of our families are linked in telegraph-like fashion, as a boon to mankind. But right-thinking Americans will see these speaking machines for what they are: potential instruments of the devil. Witness, if you will, a few items reported so far in 1897.

- A once-pious child of 12 in Rochester, N.Y., whose father negligently allowed him to use a so-called telephone installed in their home, was repeatedly overheard speaking into it, using language not fit to print in this newspaper.
- In the law-abiding suburb of Yonkers, using a "party line" on which unrelated persons may speak at the same time, a prominent married man was heard making a rendezvous with the wife of another.
- At a respected firm on Wall Street, a stockbroker made a telephone connection to a client, urging that he purchase securities in a buggy whip manufacturer. The company went bankrupt several months later, and the recipient of the call is now in the poorhouse.
- On Manhattan's Lower East Side, political malcontents freely use the telephone network to exchange disloyal, scurrilous speculation about our Government — that a war with Spain is being plotted!
- In Brooklyn, a Roman Catholic man persuaded a younger, weaker-willed Methodist acquaintance to abandon his faith and join him in Papist rituals. Both men were employed by the local telephone firm!

Wives, sons and daughters have been loosened from paternal ties by unrestricted use of telephones; unscrupulous operators are linked directly into our hearths and homes. I call on President McKinley and Congress to go beyond the recent passage of the Telephone Decency Act, which the Supreme Court will assuredly confirm. I call for a Federal bureaucracy by which telephone calls will be monitored by morally upstanding committees in every town and hamlet.

We must stop the spread of turpitude now. If not, what next? Already, science journals speculate about "wireless" messages, of a day when images may be sent through the air. We must act now to tame this venomous network — nay, this Net of Vipers. Yes, we must censor the Net, for the sake of generations yet to come! □

Barry Golson is editor in chief of Yahoo! Internet Life magazine.

Observer

RUSSELL BAKER

Dumb and Whiney

Dr. Braithwaite explains it all.

We are fortunate today to have with us Dr. B. B. Braithwaite, the eminent authority on self-help, diet, getting rich quick and finding spiritual peace in 30 days. Dr. Braithwaite has kindly agreed to answer a few questions from our readers.

First, Doctor, can you explain to Baffled Baseball Fan why our Government refuses to let our teams play baseball in Communist Cuba while leaning over backward to encourage our businessmen to toady for big bucks in Communist China?

"Gladly. All Communism is bad, but Cuba's Communism is worse than anybody else's Communism. We have spent 40 years trying to abolish it, and it still refuses to disperse. Why reward such insolence by letting Cubans enjoy our national pastime?

"China, on the other hand, not only picks up the bill for our excessively costly elections, but also provides our retailers with cheap tennis shoes for which they can charge us ridiculously high prices. Without ridiculously expensive cheap tennis shoes, Americans might never again be able to get out of the car and walk around the block."

•

While on the subject of China, Dr. Braithwaite, perhaps you can answer this one from Irked Russian: Why enlarge NATO to surround Russia more tightly, now that Russia has gone capitalist? Isn't it more sensible for NATO to surround China now that China is the world's most heavily armed Communist power? Want to tackle that, Doctor?

"What an innocent you are, Mr. Irked Russian. The United States is full of voters of Eastern European extraction who despise and fear Russia in any form. To harvest their votes, politicians must move NATO ever closer to the gates of Moscow.

"As for China, think for a moment what this proud, highly aggressive, heavily armed, repressive and nasty regime might do if we extended NATO to its very borders. You, Mr. Irked Russian, could end up without any incredibly expensive cheap tennis shoes."

•

Doctor, will you tell Mr. Sorehead why he should not be cross with Alan Greenspan? He says every time he gets a job Alan Greenspan says too many people have jobs and raises interest rates to throw him, Mr. Sorehead, out of work again.

What advice, Doctor, can you give this churlish prole to make him feel more kindly to Alan Greenspan?

"Just this, Mr. Sorehead: Keep whining about Alan Greenspan and you'll be known as a common scold. Do you think Alan Greenspan has a personal grudge against you? Don't be a dunce.

"Alan Greenspan is an economist. Do you think economists harbor grudges against people? Nonsense. Economists are not interested in people. When they look at the world, they do not see people, they see statistics.

"To Alan Greenspan, as to all economists, you, Mr. Sorehead, are not Mr. Sorehead at all. You are a number. A very interesting number, to be sure, but just a number. So for heaven's sake, man, quit blubbering, buck up and start acting like a number."

•

While we are on economics, Doctor, perhaps you can answer this question from Going Nowhere. He wants to know why his pay never goes up more than an inch a year while the pay of C.E.O.'s constantly increases by leaps and millions.

"Isn't the answer obvious? Who decides who is going to be paid what? The answer, my dear Going Nowhere, is: C.E.O.'s decide. Consider the harsh work they are required to do:

"Slashing payrolls. Exporting jobs to cheap-labor areas like Mexico, India, Texas. Chairing conferences on greater efficiency and higher productivity. Merging. Acquiring. Going into bankruptcy.

"Is this your idea of easy work, Mr. Going Nowhere? Would you sacrifice your inch-a-year pay increase to shoulder these trying and painful tasks, even though they offered you millions every year?

"Would you risk failure with its humiliating headlines about your getting only $70 or $80 million in severance pay for doing a rotten job? If so, Mr. Going Nowhere, quit complaining and get to Harvard Business School right away for an M.B.A."

Thank you, Doctor. I'm sure your wisdom will lead us all to spiritual peace before the month is out, if not a 10-pound weight loss. □

The New York Times

TUESDAY, APRIL 8, 1997

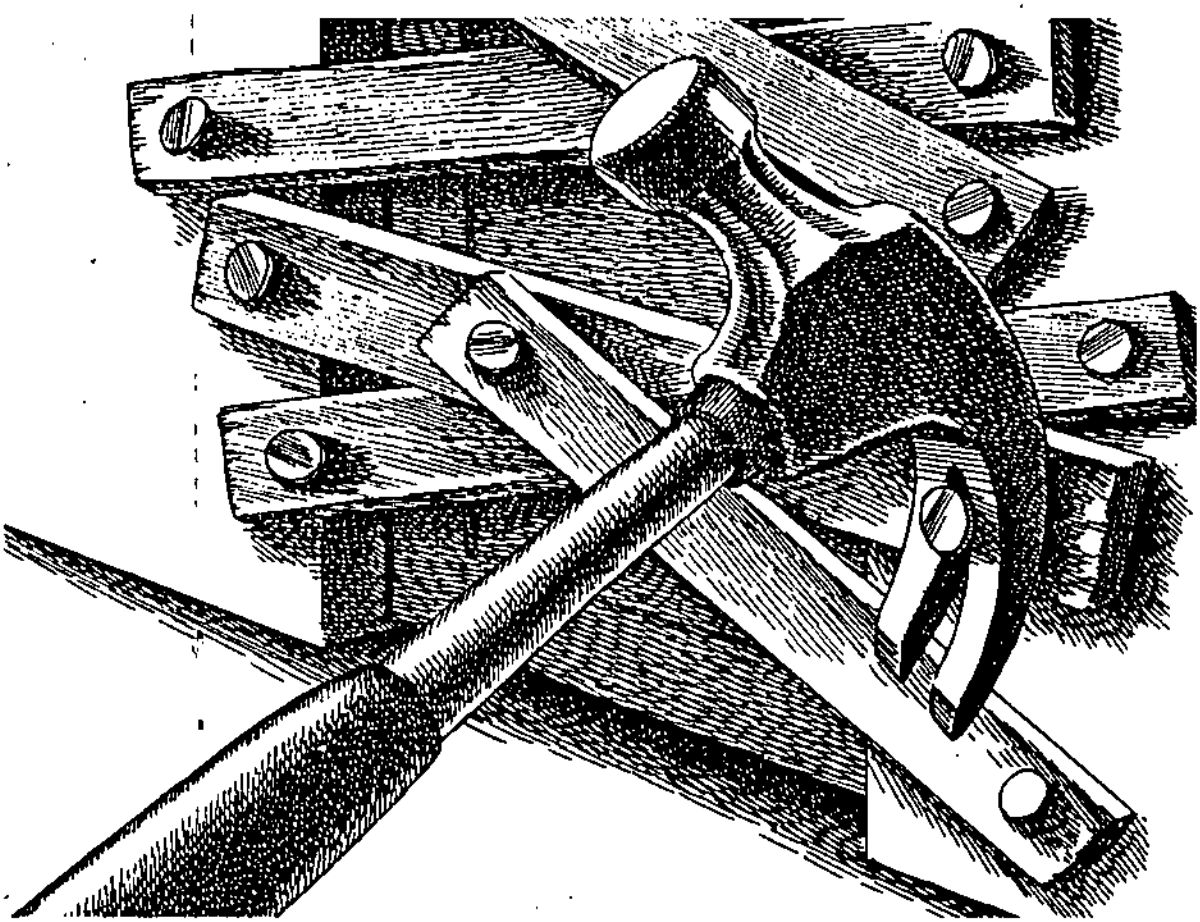
U.S. Department of Housing
and Urban Development
Office of Community Planning
and Development

From: Andrew Cuomo

FOR YOUR INFORMATION

ALBANY TIMES UNION
Albany, N.Y., Wednesday, May 22, 1996

C O M M E N T A R Y



Protect rights of all public housing residents

BY ANDREW CUOMO

I recently had the opportunity to return to Albany. I say "return" because for many years I attended school and worked in Albany, and later visited my family who enjoyed Albany for 12 years. I'm now serving as assistant secretary for the Department of Housing and Urban Development and live in the Washington area. After almost four years here, I can report that without a doubt the old saying is true: "There's no place like New York."

But while I miss home, I've had the opportunity to visit cities and counties across the country. Despite the diversity of this great land, all too often the problems are the same. One example is the state of our nation's public housing. In too many places it has become the breeding ground for crime and drugs, victimizing those who live there and plaguing and surrounding neighborhood.

President Clinton recently announced the "One Strike and You're Out" policy, essentially declaring that "enough is enough" in public housing and that there will be "zero tolerance" for criminal conduct.

The President's policy provides that if an individual is engaged in illegal activity, it is grounds for eviction. Past criminal behavior may also be considered in lease applications and screening procedures. While this is a federal policy, the President's plan leaves discretion in the hands of each local public housing authority so that case-by-case determinations may be made.

"One Strike and You're Out" is not about politics, but common sense and decency.

The provision of public housing in our society — like many other areas of public trust — is an implicit social contract through which society at large extends a benefit to an individual. This contract must be premised upon a balance of rights and responsibilities. Public housing is, as the word suggests, housing which belongs to the public and is offered to a family in need to help them reach opportunity and progress.

The housing is often accompanied by additional services, such as job training, educational services and counseling, to help individuals reach their full potential. This is a laudable and essential function, one that makes our society and country as great as it is: a land of opportunity for all.

At the same time, there are responsibilities that the individual must adhere to for the social contract to work. Primary among these is the respect for the property and rights of others. When an individual endangers another, destroys the housing that they're living in, or disrupts the surrounding neighborhoods, the contract is breached.

Today, it has gone too far. The crime and drugs must stop. "One Strike and You're Out" is an essential step toward this end. We must protect and serve all the people in public housing, and can no longer allow one to disrupt the benefits of many.

Congressman Jerry Solomon of New York's 22nd District, who is not a Democrat, recently introduced a bill which would codify many of these policies. To his credit, the congressman overcame partisan politics for good government.

This policy is a bold step and has already caused debate. Civil libertarians debate the policy's impact on the rights of the individual who is evicted, and interest groups defend the individuals' right to conduct themselves as they please. However, the most important voices are virtually uniform in their chorus of support: the people who live in public housing. Ask the people who live in Albany's public housing. Ask Orris who lives in Ida Yarborough Homes and fears for her daughters' lives. Speak with Charlene who says, "It's gone too far — it's time for us to take back our homes," or Donald, president of the tenant association, who says, "There are a lot of older people who have lived here 20 or 30 years, who are too afraid to leave their homes. It's just got to stop." It's time we worried about their rights also.

WORKING GROUP ON WELFARE REFORM, FAMILY SUPPORT AND INDEPENDENCE

FACSIMILE TRANSMISSION COVER SHEET

Aerospace Building
370 L'Enfant Promenade, S.W.
Seventh Floor
Washington, D.C. 20447
Fax: (202) 205-9688

Cover + 2 **Page(s)**

Date 4/21

To: See List Below

From: Toby Graff

Phone:

Phone: 401-9258

Fax:

Fax: 205-9688

Message:

David Ellwood
Bruce Reed
Wendell Primus
Jeremy Ben-Ami
Margaret Pugh
Mary Bourdette
Melissa Skolfield
Irene Bueno
Rich Tarplin
John Monahan

April 20, 1994

Housing

Memorandum for Distribution

From: Toby Graff

Subject: Press Conference on Introduction of H.R. 4159 - - Public Housing Rent Reform Act

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Representatives Maxine Waters (D-CA) and Sanford Bishop (D-GA) held a press conference yesterday morning to introduce H.R. 4159 - The Public Housing Rent Reform Act. The Public Housing Authorities Directors Association (PHADA) and the Georgia Association of Housing and Redevelopment Authorities (GPHA) worked with Waters and Bishop to create this bill.

The bill would provide working families in public housing with:

- A 20% earned-income deduction for the purpose of rent calculation;
- An additional 10% deduction for two-parent families;
- Three different ceiling rent calculations: using the current system, capping rents at 80-90 percent of current costs, and implementing a Section 8 rent reasonableness test;
- Exemptions for working children under 21.

In their statements, both Representatives Waters and Bishop characterized the bill as a "jump start" on welfare reform and a plan that will help "end welfare as we know it". Public housing, they said, is a key component of welfare reform strategy because one in every four AFDC recipients lives in subsidized housing. Representative Waters said that she has heard only talk from the Clinton Administration and in Congress about welfare reform, but has seen no action. She said that this bill would be a way to have some sensible and meaningful reform in this Congress.

The emphasis of the bill is on supporting work by correcting calculation methods for public housing rent collection. According to PHADA, in the current public housing system those who work usually have less disposable income than those who decide to remain unemployed. Representative Waters said that the bill is consistent with President Clinton's welfare reform proposal which encourages work and demands responsibility.

Representatives Waters and Bishop said that Representative Gonzalez (D-TX), Chairman of the House Banking, Finance and Urban Affairs, supports H.R. 4159 and has embraced adding it to H.R. 3838 - the Housing Reauthorization Bill (which will be considered next month).

Three members of the hill press attended the conference.

Distribution

Mary Jo Bane
David Ellwood
Bruce Reed
Jeremy Ben-Ami
Mary Bourdette
Emily Bromberg
Irene Bueno
Jim Hickman
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Wendell Primus
Margaret Pugh
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Rich Tarplin

LOCAL INITIATIVES SUPPORT CORPORATION
733 THIRD AVENUE, NEW YORK, NEW YORK 10017
TEL: (212) 455-9800
FAX: (212) 682-5929

December 9, 1993

Mr. Bruce Reed
Office of the President
The White House
1600 Pennsylvania Avenue
Washington, DC 20500

Dear ~~Mr. Reed~~: Bruce

I am writing to let you know that LISC and its affiliate, the National Equity Fund, recently announced a very exciting $1.5 billion investment in affordable housing over the next five years. This tremendous investment was made possible through the newly permanent Low-Income Housing Tax Credit, approved by Congress as part of President Clinton's budget package.

The permanent credit was difficult to achieve, but well worth the fight. With more than 10% of the money in hand after only three months, we see already that a permanent credit will make a world of difference in accessing private resources.

The President's support of innovative financing mechanisms has been -- and continues to be -- essential to the continued growth of community development corporations. With new tools such as the Community Development Banks, we can expect to see even greater achievements on the part of grass-roots, neighborhood organizations.

I have enclosed several newspaper clips about the LISC-NEF $1.5 billion investment that I thought might interest you. Thank you again for your effort on behalf of the credit.

Sincerely,

Patty Foley

Patricia A. Foley
Senior Vice President

PAF:bks
Enclosure

Hope all is well - Congrats on a great first year - Community based development appreciates your efforts

The New York Times

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Tax-Credit Financing to Aid In Building Housing Units

By SHAWN G. KENNEDY

New York City should get enough money from a Federal tax-credit program to help build at least 6,000 new housing units for the poor over the next five years, housing advocates said yesterday.

Earlier this year a delay in Congressional renewal of the tax-credit program slowed scores of public-private housing projects throughout the city that had been depending on the money. But in August the program was made permanent as part of the Clinton budget package, paving the way, proponents said, for even greater participation from corporations. The program allows corporations to donate money toward a fund to build housing in exchange for reductions in their Federal tax bills.

Two organizations — the Enterprise Foundation and the Local Initiatives Support Corporation — plan to announce tomorrow that they will make a five-year, $300 million commitment to building low-income housing with the help of the tax-credit program. They estimated that the fund would be able to pay for 6,000 units, 1,000 more than in the previous five years.

Rebuilding Housing

Acting as partners in managing the program with the city, the Local Initiatives Support Corporation and the Enterprise Foundation distribute the tax-credit money to local community groups. These groups, selected for their organizational skills and commitment to their neighborhoods, then develop the housing.

Since 1987, 35 corporations, including American Express, the Bank of New York, J. P. Morgan, Con Edison and Republic National Bank, have invested $201 million in the housing fund. The program has helped rebuild housing in Harlem, East New York in Brooklyn, and the South Bronx, in many instances serving as a catalyst for neighborhood revitalization.

So far, corporations have been donating at a greater rate than before, with $71 million having been pledged to the equity fund since the tax credit was made permanent in August. In 1988, the first year the tax credit was in operation, corporations contributed $22 million.

Paul S. Grogan, president of the Local Initiatives Support Corporation, said the Clinton Administration's decision to make the tax credit permanent has increased its attractiveness to donors.

"Making the tax credit permanent sent a message of stability to corporate investors," Mr. Grogan said. "In the past some corporations would not consider participating, or made very small investments because of the cloud of instability that hung over the tax credit when it had to be renewed each year."

Nationally, Mr. Grogan said, the tax credit is expected to result in the construction and rebuilding of from 120,00 to 125,000 units a year.

In New York, the tax-credit money will give a major boost to one of the city's most successful low-income housing production programs. Since 1987, the city's Department of Housing Preservation and Development has rebuilt more than 30,700 apartments, and the tax-credit money has paid for about some of the cost of rebuilding about one-third of these apartments.

Most of the units have been carved out of abandoned buildings the city has taken from owners because of tax delinquencies. Of the apartments rebuilt with tax-credit money, 30 percent are set aside as permanent housing for homeless people.

The tax-credit financing can also be used for operating expenses, social services and day care.

The two groups plan to announce the program with the Federal Secretary of Housing and Urban Development, Henry G. Cisneros, and a number of other prominent Democrats from New York and Washington.

THE WALL STREET JOURNAL.

Eastern Edition WEDNESDAY SEPTEMBER 29 1993

ECONOMY

Tax Credit Is Likely to Spur Mild Boom In Construction of Affordable Housing

By LAURIE MCGINLEY
Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON – The reinstatement of the low-income housing tax credit is likely to fuel a small boom in apartment construction, boosting building trades and helping blighted residential areas.

One indication of the potency of the credit will come in a news conference here today, when the New York-based Local Initiatives Support Corp., a nonprofit group founded by the Ford Foundation, announces plans to use the low-income housing tax credit to raise $1.5 billion over the next five years for affordable housing projects.

The money will go to community groups to serve as the equity portion for developing more than 35,000 units in 30 cities. The tax credit was made permanent in the August tax bill.

Other groups – ranging from the Enterprise Foundation in Columbia, Md., which like LISC works closely with grass-roots groups to revive urban neighborhoods, to the National Association of Home Builders – expect the tax credit to generate activity in the affordable housing market as well.

Using the credit, individuals and corporations may reduce their federal tax liability by investing in rental projects for low- and moderate-income people. For example, the National Equity Fund, a LISC affiliate, organizes partnerships of Fortune 500 companies that invest in the projects and get tax benefits in return.

Over the years, the credit has had a history reminiscent of "The Perils of Pauline," declared Sen. John Danforth, a Missouri Republican and big supporter. It was approved on a temporary basis in 1986, then was extended several times until it expired in 1992. But even with its stop-and-go history, it has been responsible for the development of more than 90% of the low-income rental housing built in recent years. That makes it by far the government's biggest subsidy program for affordable rental housing.

Along with powerful congressional backers, President Clinton campaigned to make the tax credit permanent. It fits with his ideas of using public-private partnerships to solve problems at the community level.

Now that the credit is permanent, "There's a tremendous rush of activity in housing tax-credit production," said Paul Grogan, president of LISC, which was founded in 1979. "A stopper in a bottle has been removed."

So far, only a small amount of LISC's $1.5 billion commitment has been raised, but LISC officials aren't worried. With commitments from companies such as Berkshire Hathaway Inc., the National Equity Fund has raised $120 million in corporate funds in just two months, compared with $223 million for all of last year.

For-profit developers also are scrambling to take advantage of the credit, which was made retroactive to June 1992. After the credit expired, "people ended up twiddling their thumbs or trying to deal with a few little scraps left over from previous years," said Richard Goldstein, a Washington attorney who represents developers and syndicators of the credit. "Now there will be a lot more activity over the next six to 12 months," partly because of the backlog of projects.

That's good news for the construction industry – especially the multifamily sector, which has been lagging for years.

"We'll see much stronger multifamily production for the remainder of the year," predicted Michael Carliner, an economist for the National Association of Home Builders. Even so, 1993 will be the worst year on record, with only 154,000 multifamily units projected to be started.

Next year, however, the homebuilders' group expects "a significant boost" in multifamily starts. Building permits surged in August, noted Mr. Carliner. He said the credit accounts for an average of 60,000 units annually. That number goes as high as 100,000 units if rehabilitated units are included, according to the National Council of State Housing Agencies.

Still, the credit doesn't offer unlimited opportunities. By law, it is capped at $1.25 a person per state, or about $315 million annually. But advocates predict it will lead to increased housing activity for several reasons. In the past, some states haven't used all their credits because of uncer-

Housing Group to Pump $1.5 Billion Into Projects

By William F. Powers
Washington Post Staff Writer

A New York-based affordable housing organization that has helped fund projects in Washington and other cities announced yesterday it will pump $1.5 billion in equity investments from major corporations into low-cost rental housing projects over the next five years.

Funded by companies taking advantage of a tax break, it is the largest private investment ever committed to affordable housing and community renewal, according to the nonprofit group, the Local Initiatives Support Corp., or LISC.

LISC said it does not yet have dollar pledges for projects in specific cities. But LISC President Paul Grogan said the new commitment will result in the creation of a minimum of 35,000 new housing units for poor Americans.

"Corporations are putting shareholder capital at risk in some of the most depressed and low-income neighborhoods in America," Grogan said after a press conference at the Whitelaw Hotel building on 13th Street NW. The historic building, which was closed in the 1970s, was turned into a low-income apartment building with an investment from LISC's equity fund.

The companies that invest in housing through LISC—including such local companies as Fannie Mae, Freddie Mac and Signet Banking Corp.—benefit from a low-income housing tax credit created by Congress in 1987 and recently made a permanent feature of the tax code.

The tax credit program has developed into the principal method of financing affordable housing. Earlier this year NationsBank Corp. set up a similar $100 million fund for equity investments in affordable housing, a program administered through the Enterprise Social Investment Corp., a subsidiary of the Columbia, Md.-based Enterprise Foundation. LISC has invested $620 million in affordable housing in the last five years, Grogan said.

Companies investing through LISC receive a return of about 18 percent to 20 percent on their investments, according to Joan Lebow, the group's director of communications.

Grogan said these investments are considered "very high risk," and that "corporations are not beating down our door to get at [them]." There have been no defaults yet on LISC-funded projects, he said.

Sen. George Mitchell (D-Maine) and Rep. Dan Rostenkowski (D-Ill.), leading advocates of the tax credit, also spoke at the press conference, as did senior executives of several of the investing companies.

Chicago Tribune

Founded June 10, 1847

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18 Section 1   Thursday, September 30, 1993

No pain, all gain in housing credits

Imagine making a financial investment that is the epitome of social responsibility, yet boasts an annualized return of 18 percent.

It's called the National Equity Fund, a vehicle through which corporations large and small can receive substantial credits against their federal income-tax liability by investing a minumum of $500,000 in low-income housing.

The tax credits are one of very few federal tax shelters left on the books, and they have become an indispensible part of the way America finances new housing for the poor.

The New York-based fund, an offshoot of the Local Initiatives Support Corp., was founded in 1987, the year after Congress enacted low-income housing tax credits as part of its general rewrite of the federal income-tax code. Since that time some 100 corporations have invested more than $620 million, enough to leverage the construction or rehabilitation of 15,000 housing units, most of them managed by community-based organizations.

Individual investors can also obtain tax credits, primarily by investing through private brokers in for-profit housing ventures. The role of the non-profit Equity Fund is to link corporate America with the efforts of non-profit community-based groups.

In Chicago, the fund has underwritten projects built and managed by The Neighborhood Institute, Hispanic Housing, Voice of the People in Uptown and several other established organizations.

But until now there has been a nagging problem, in that Congress had been renewing the tax credit only from year to year. Companies knew any given year's investment was good for 15 years, but they didn't know whether they could make a similar investment in the following year.

That's a problem no longer. The tax credit was made permanent by Congress earlier this year, and on Wednesday the National Equity Fund celebrated by kicking off a five-year, $1.5 billion investment campaign. If the goal is reached, it would be the nation's biggest-ever private sector investment in community-based urban renewal.

Companies such as Berkshire Hathaway and Bank of America have already signed up. More information can be obtained from the fund in New York at 212-455-9830, or by contacting a similar organization here, the Chicago Equity Fund, at 312-943-2266.

It's not often you can do the right thing with an 18 percent return.

Millions for city rental housing

The funding is from corporate investments. Nonprofit groups will build or rehab 1,200 low-income units.

By Amy S. Rosenberg
INQUIRER STAFF WRITER

Nonprofit community groups throughout the city will share $100 million in corporate investments over the next five years to build and repair at least 1,200 units of low-income rental housing.

City officials say the infusion of corporate support will enable community groups to double their capacity to create low-income rental units.

The announcement was made yesterday by the Local Initiative Support Corp. (LISC), a national organization that channels corporate investment funds into affordable housing in distressed neighborhoods.

The $100 million commitment is part of a $1.5 billion, five-year national investment program announced last week by LISC and its affiliate, the National Equity Fund.

The private investment was prompted by Congress' permanent extension of the federal low-income tax credit, part of President Clinton's budget package. In the eight weeks since, a number of banks and corporations across the nation have invested $125 million in NEF's 1993 fund.

The tax credit program allows companies to receive a credit on corporate taxes in exchange for investing in the construction or rehabilitation of affordable rental housing.

That, in turn, has led to partnerships involving community-based developers, local corporations, national foundations and public funding to create affordable rental housing.

"Affordable housing units are but a catalyst and an anchor in redevel-

$100 million slated for city rental units

HOUSING from B1

oping the nation's neighborhoods," said Doug Guthrie of the National Equity Fund. "This is rebuilding communities in addition to rebuilding housing."

Mayor Rendell — who testified in March in Washington in support of the tax credit — praised the local banks that have contributed a total of $60 million to the NEF — Mellon, PNC, Meridian and Fidelity Banks.

"The more money we invest locally, the more we will get nationally," Rendell said. "You see what quality housing means to people's lives. It gives them a sense of dignity and self-respect."

James McManus, senior vice president of the Greater Philadelphia Chamber of Commerce, said the $100 million investment was a step toward balancing the private sector's commitment to Center City with its commitment to developing the city's neighborhoods.

In Philadelphia, the National Equity Fund invested $32 million between September 1989 and March 1993 for 13 community development corporations to produce 414 units of affordable housing. The total cost of those 414 units was $40.5 million.

Community leaders who attended yesterday's announcement said the private investments made possible by the tax credit program were crucial to their efforts at revitalizing neighborhoods.

The city distributes about $30 million a year in federal Community Development Block Grant money to the nonprofit groups.

"This is our day," said Steve Culbertson, director of the Philadelphia Association of Community Development Corporations, which represents 40 neighborhood groups that have grown into nonprofit housing developers.

"It is impossible to overemphasize the importance of private investment to our efforts to rebuild our neighborhoods."

Bahiya Bowens, the project developer for the Women's Community Revitalization Project, which used NEF investments to build Villanueva, a 24-unit, low-income rental development at Seventh and Somerset Streets, plans a second phase of 30 units.

"The tax credit program really is the only program that makes it possible to do large numbers of new construction units," she said.

"The CDCs sit around the table now with bankers, foundations, corporations and city and state and say, 'How do we get the mission accomplished?'" said Guillermo Salas, president of the Hispanic Association of Contractors and Enterprises (HACE). "Before, we were left out of the process."

HACE built the 24-unit Villas de Hace, the first new construction in the last 15 years in the Ludlow neighborhood of North Philadelphia. Salas said he is planning an 81-unit Villas de Caribe on Allegheny Avenue, near Hancock and Mascher Streets.

CITY EDITION

San Diego

THE SAN DIEGO UNION-TRIBUNE • WEDNESDAY, OCTOBER 6, 1993

Low-income housing likely to grow here

By LORI WEISBERG
Staff Writer

San Diego County's dwindling supply of low-income housing could expand by as many as 700 units as a result of an expected infusion of $50 million in corporate investments over the next five years.

In an announcement to be made today, a major community development organization has pledged to raise $350 million statewide to go toward the renovation and construction of affordable housing.

The money is being made possible through tax credits offered by the federal government to businesses that invest in low-income housing.

For San Diego County's nonprofit organizations, in a constant struggle to find scarce housing dollars, the new investment funds will be a boon to projects.

"Without this kind of money, these housing projects will not come to fruition," said Matthew Jumper of San Diego Interfaith Housing, which hopes to build 77 units of low-income housing in Mission Valley. "The largest source of funding for affordable housing rental projects is the tax credit. We currently don't have another source of money in federal, local or state level that could replace that money."

The $50 million that is expected to come to San Diego County will be raised through the California Equity Fund, an arm of New York City-based Local Initiatives Support Corp. The New York group is coordinating the overall effort to raise corporate dollars for affordable housing.

Local Initiatives Support Corp. is the nation's largest community development support organization. Its officials said the anticipated $350 million in statewide funding would not have been possible without a permanent extension of the low-income housing tax credit, which provides investors a credit on their federal taxes in exchange for an investment in the construction or renovation of affordable rental housing.

The tax credit was made permanent in the recently passed federal budget package.

"In the past, the tax credit was a year-to-year thing hanging by a thread," said Paul Grogan, president of Local Initiatives Support Corp. "For the first time, it has been made permanent and that gives us an opportunity to plan ahead and give potential investors a sense of increased stability. This is a significant expansion of what we've been able to do in the past."

While the corporation was able to raise $620 million nationwide for low-income housing projects over the last five years, it now expects to attract $1.5 billion in corporate investments over the next five years, Grogan said.

In San Diego County, the low-income housing tax credit has been responsible for 1,134 units of affordable housing since 1987. Housing that is developed under the program must be affordable to families earning 60 percent or less of the median income, which in San Diego is $43,900 a year for a family of four.

Jumper said he hopes to get $3.4 million from the California Equity Fund to help finance his $8 million housing project.

While there undoubtedly will a long list of affordable housing projects awaiting the new capital, local governmental agencies also must be willing to step forward with matching housing dollars, warned Anne Wilson, program director for the corporation's San Diego office.

"If San Diego wants to attract that $50 million, local government has to come to the table and work with the nonprofits to support these projects," Wilson said. "This money and these jobs aren't going to come automatically to San Diego."

San Diego's city Housing Commission is more than willing to help support local projects, insisted Betsy Morris, assistant executive director.

"Most of the projects that have gotten tax credits in San Diego have also had assistance from the Housing Commission," Morris said. "We've worked together cooperatively in the past and anticipate doing this in the future. The bottom line is we're delighted to hear there's a commitment to

AFFORDABLE HOUSING RISK-SHARING PROGRAM

One way to increase the ability of low-income families to purchase homes is to combine the resources of the private sector and the federal government. Discussed in this paper is a legislative proposal which unites the strengths of private mortgage insurers (MIs) and the Federal Housing Administration (FHA) to broaden the base of people who can become homeowners. It proposes to establish a pilot mortgage insurance program that will earmark $20 billion of mortgage money, over a three year period, to low-and moderate-income families.

Combining the capital resources of FHA and MIs will bring much more needed capital to a traditionally underserved market. It will increase the overall market size and market penetration, reaching more borrowers than would be reached by the two acting independently. It offers greater flexibility than the existing FHA program by allowing lenders, insurers, and investors to work with local community groups to design a program that meets the local needs. FHA will benefit in two other important ways -- the program will reduce its costs because MIs will be assuming one-half the risk and administering the program and MIs' risk management expertise will ensure that these loans are delivered prudently, efficiently, and effectively.

The very low down payment on loans originated under the program will increase the risk of default, but the program can be successful if borrower counseling is required and all parties to the transaction work together.

Elements of the Risk-Sharing Program

Under the proposal, MIs and FHA would insure loans with a 97 percent loan-to-value ratio (LTV) for families earning 100 percent of area median income or below. Because under state law MIs cannot insure loans with greater than a 95 percent LTV, a federal preemption of state law would be sought for loans insured under this program only. Thirty percent insurance coverage would be provided on these loans and FHA and MIs would split that coverage evenly -- each insurer would cover up to 15 percent of the loss. These loans would be available for purchase by Fannie Mae, Freddie Mac or any institution which purchases conventional loans. From FHA's perspective, the program would be part of the Mutual Mortgage Insurance Fund.

MIs' underwriting guidelines would be used under this program. The guidelines would be similar to the ones used in the popular Community Home Buyers Program, but MIs and other participants in the mortgage market would be free to develop new, creative ways to meet the needs of low-income people. Because pre- and post-purchase counseling have proven to be so successful in ensuring that families remain in the homes they buy, it would be required for all loans originated under this program.

This program would operate the way reinsurance programs operate in the private sector. The MI would act as the lead insurer, administering the program, developing the underwriting guidelines, collecting the premium, and disbursing the claim. FHA and the MI's role is discussed in more detail in the next section.

The premium charged to the borrower would be equivalent to FHA's existing premium, and FHA and the MI would split that premium, net of ceding commission, evenly.

Two premium plans are said to be "equivalent" if their application to a pool of mortgages with an assumed runoff rate results in lifetime premium streams with equal (or nearly equal) present values. This is illustrated in the example below:

			Premium Plan A		Premium Plan B	
	(1)	(2)	(3)	(1)2)(3)	(4)	(1)(2)(3)
Period	Outstand. Pool Balance	Present Value Factors (@ 10%)	Premium Rate	PV Premium	Premium Rate	PV of Premium
1	100	1,000	100 bp	1,000	65 bp	0.650
2	90	0.909	50	0.409	65	0.592
3	80	0.826	50	0.330	65	0.430
4	70	0.751	50	0.263	65	0.342
5	60	0.683	50	0.205	65	0.266
			TOTAL	2.207		2.220

In the example above, for the assumed runoff rate and discount factor, the two premium plans would be said to be "equivalent" over the five year term illustrated since the present value of the two premium streams are equal (2.207 versus 2.220).

It is necessary to charge a premium equivalent to the existing FHA premium even though the insurance coverage would be 30 percent (and not 100 percent as under the existing FHA program) because all the loans would have very high ratios. The result of this fact would be a high-risk portfolio of loans.

Like many of the other aspects of the program, the individual MI would decide whether the premium is financeable. Under state law, the premium could not be financed if the combined LTV is 97 percent (presuming, of course, that state law is overridden to permit MIs to insure loans with an LTV greater than 95 percent).

Attachment A outlines the elements of the risk-sharing program and Attachment B compares it to the existing FHA program and the Community Home Buyers Program. Note that all of these existing programs would remain in place if the risk-sharing program were approved. The risk-sharing program would be in addition to these programs, not instead of them.

Risk-Sharing Similar to Reinsurance.

The proposal is based on the concept of reinsurance that has long been prevalent in the insurance industry. Under this reinsurance program, both insurers share the risks and the profits equally. The "lead" insurer administers the program by making the underwriting decisions, collecting the premium and remitting the reinsurer's portion of the premium, assisting in workouts, tracking delinquencies, setting reserves, disbursing the claim, and then recovering from the reinsurer on a regular basis. In effect, the lead insurer would do all those things mortgage insurers normally do today. The lead insurer also provides periodic profit and loss statements and makes appropriate disbursements to or collections from the reinsurer.

Under the risk-sharing proposal, the MI would be the "lead" insurer and, therefore, would develop the underwriting guidelines, collect the premium, and handle the claims. The individual MI would work with the lender, investor or borrower to mitigate the claim. If the property went into foreclosure and the MI chose to take possession, it would handle the property disposition. The MI would send the income to FHA or collect the amount of the claim for which FHA is responsible. Since the MI would do all the administration of the program, it would receive an appropriate ceding premium for operating expenses, which is customary in reinsurance.

It is important to note that in the risk-sharing proposal, as in a reinsurance arrangement, both insurers would have equal amounts of capital at stake should the loans go to claim. This means that both insurers have an equal incentive to ensure that the family is purchasing a home it can afford and, if the family should run into trouble, of working to mitigate the loss to both insurers. An extra advantage to FHA by having the MI be the lead insurer, is that FHA will benefit from the MI's extensive experience in working with borrowers and lenders to resolve financial problems.

Any MI that is licensed as a mortgage insurer and approved by Fannie Mae and Freddie Mac would be eligible to participate with FHA in the type of risk-sharing arrangements outlined above. FHA would decide what programs and MI companies it wishes to work with on an individual program basis. MIs would be monitored for financial soundness and operating efficiency in the way any lead insurer in a reinsurance arrangement is monitored by the reinsurer. A third party can be appointed by FHA to monitor an MI.

Advantages of the Risk-Sharing Program

The program provides many advantages to low-income borrowers, lenders, investors, and insurers. This program will help bring low-income borrowers into the mainstream of mortgage finance, enabling them to obtain more competitive interest rates for mortgages. The interest rates on loans originated under the Community Home Buyers program are at market rate or below and MIs have no reason to believe that this will not be the case with loans originated under this proposal. Between 2.5 million and 5 million more families would be able to purchase homes under the proposed risk-sharing program than otherwise might not be able to afford to do so.

Low-income borrowers also will benefit from the flexibility built into the proposal. By not setting underwriting guidelines in legislation or not requiring that they be set by a central authority, programs can be developed to meet the special needs of a particular community. In recent years, lenders, investors and MIs have worked with local community groups to find creative solutions to the housing affordability problem. These programs have put families into homes they can afford to stay in. The risk-sharing proposal enables all players in the mortgage market to continue to work to find these creative solutions, to the ultimate benefit of low-income borrowers.

Lenders and investors also will find advantages to the risk-sharing proposal because it will enable them to meet their Community Reinvestment-type requirements in a sounder way. The 30 percent insurance coverage will minimize the loss to the lender or investor, should default occur. The careful underwriting (including pre- and post-purchasing counseling) will broaden the base of potential home buyers and ensure they are buying homes they can afford to keep.

Both FHA and MIs also would find the program beneficial. MIs have a proven track record of designing affordable housing programs that put families into homes, without losing money for the insurer. More of these programs will be available if FHA and MIs share both the risk and the profit. Equally as important to FHA is the fact that the MI would administer the loans in the risk-sharing program. FHA's resources are limited, so it is difficult for FHA to work with borrowers to mitigate loss or to quickly and adequately dispose of property in foreclosure. MIs have the trained personnel to perform these functions. In addition, MIs have experience in helping community groups counsel prospective low-income borrowers. FHA would have the benefit of these resources without having the cost of developing them. FHA would have little administrative duties other than engaging a third party to monitor the financial soundness of the MI.

Budget Impact of Risk-Sharing Program

Another positive aspect of the risk-sharing proposal is that it can be done without a budgetary impact to the federal government. Under the existing FHA program, FHA covers 100 percent of the loan amount when default occurs and takes title to the property after foreclosure. In addition, FHA has an "assignment program" in which lenders assign loans to FHA to work out if the borrower is in default. The existing FHA program presently has

40,000 homes in foreclosure and 68,000 homes (projected to increase to 91,000 in two years) in the assignment program.

The risk-sharing program would not contain these costly aspects of the existing FHA program. First, FHA would only be covering 15 percent of the loan amount so that the level of FHA's losses on any one claim would be significantly smaller. Second, the MI would be working with the borrowers who are in default and would manage the property if the MI chose to take title to it after foreclosure. The MIs would receive a ceding premium for the cost of these administrative functions. Finally, FHA would benefit from being a partner with a private insurer who has capital equally at risk as FHA's capital and who has a history of developing successful affordable housing programs that put low-income families into homes, with low foreclosures.

Legislation Needed to Implement Program

Legislation will be needed for most aspects of the proposed risk-sharing program. First, a federal override of state laws which prohibit MIs from insuring loans with greater than a 95 percent LTV will be needed. It is also possible that a federal override will be needed to designate FHA for state law purposes as a reinsurer and the reinsurance as admitted on the statutory financial statements. In other words, MIs will want to receive credit on their financial statements for the part of the risk reinsured by FHA so that they would not be required to dedicate capital to the portion of the risk covered by FHA. This would be particularly important if the program were extended beyond the pilot stage.

Federal legislation also will be required to enable FHA to participate. First, since authorization for the insurance is vested in the Secretary, legislation will be needed to allow MIs to endorse loans for insurance and take other action on behalf of the Secretary. Although the Secretary is given considerable latitude and discretion to prescribe terms of the FHA insurance program, a number of provisions in the risk-sharing program appear to require legislative approval. These include the level of activity proposed under the pilot program, the income limitation, the shared insurance coverage, the premium split, the program administration by MIs (i.e. premium collection and claim and property disposition) and the MI "ceding" premium for operating expenses. There may also be other aspects of the program that need legislation to implement.

Conclusion

Combining the strengths of the federal and private mortgage insurance programs will ultimately benefit low-income borrowers. The expertise the private mortgage insurance industry has in developing affordable housing programs and the broad resources it has to continue to do so successfully, will broaden the base of people who can become homeowners. By structuring the risk-sharing program so that there will be flexibility to work on a local community level, more families will be able to buy homes. This program truly "reinvents" government because it enables the government to reach into communities to meet their particular needs.

ATTACHMENT A

1. The loan would be a conventional loan that could be held in portfolio, or sold to Fannie Mae or Freddie Mac or any other conventional investor.

2. The types of loans eligible for this program would be similar to loans eligible for the Community Home Buyer's Program, but would not be restricted to only those loans. As individual MIs develop new products that are designed to put low-income people into homes with less down, they also would be eligible for this risk-sharing program.

3. The individual MI's underwriting criteria would prevail, and pre-purchase and post-purchase counselling of the borrower would be necessary.

4. The method of determining the loan-to-value ratio would be calculated the way MIs calculate it.

5. Loans with a loan-to-value ratio of 97 percent would be eligible for this program. In order for MIs to insure loans with a 97 percent loan-to-value ratio, a federal override of state law that prohibits MIs from insuring loans with greater than a 95 percent loan-to-value ratio, would be sought. However, the federal override would be for loans in the risk-sharing program only. It would not apply to other loans insured by MIs. In addition to 97 percent loan-to-value ratio loans, loans similar to the ones eligible for the Community Home Buyer's program also would be eligible for this program. For these latter type of loans, two percent of the down payment can come from outside sources, while three percent must come from the borrower. The two percent can be a gift from a family member or a community group. Funds from the HOME program, initiated in the 1990 housing legislation, could also be used for the additional two percent down payment.

6. The maximum level of insurance coverage would be 30 percent. FHA and the MI would divide the risk evenly.

7. FHA's existing premium essentially would be charged for this program. However, federal legislation would be sought to enable the insurer to charge a premium no greater than an amount equivalent to FHA's existing premium for loans in the risk-sharing program.

8. The MI would receive a percentage of the premium as the ceding premium for the cost of underwriting and administering the loans. The remainder of the premium would be split evenly by FHA and the MI.

9. Only borrowers earning less than 100 percent of median income would be eligible for the program.

10. The MI would handle the claims and seek reimbursement from FHA and FHA's portion of the claim.

11. All existing FHA programs will remain in place and thus the new risk-sharing program will supplement the existing programs.

12. Individual MIs will determine whether FHA's existing premium can be financed.

ATTACHMENT B

AFFORDABLE HOUSING RISK-SHARING PROGRAM

	New Program	Existing FHA	CHBP
Level of Coverage	30%; FHA & MI will split the insurance claim evenly	100%	25%
Premium	The equivalent to FHA's existing premium. FHA and MI will split the premium, net of a ceding premium.	3% upfront with a 50bp renewal premium over a number of years depending on the initial LTV. Upfront premium will decline to 2.25% on 10/1/94	Determined by MI.
LTV	97% on loans without capitalization of the premium.	Lesser LTV of (i) 97.75% of house price, excluding closing costs, for homes over $50,000 and 98.75% for homes under $50,000 or (ii) 97% on loans under $50,000; otherwise 97% of first $25,000; 95% of amount between $25,000 and $125,000 and $125,000 and 90% on amount above $125,000	95%; 3% paid by the borrower and 2% paid by third party. LTV calculated the way MIs calculate LTV
Underwriting	MIs will establish underwriting guidelines which meet the needs of low-income people	FHA determines underwriting guidelines	MIs & Fannie Mae developed underwriting guidelines designed to meet the needs of low-income people
Loan or Income Limits	100% of area median income or below	In high cost areas, the lesser of 95% of area median-house price or 75% of the 1993 Freddie Mac limit	100% of median or below
Guarantor/ Investor	Fannie Mae, Freddie Mac or other purchaser of conventional loans	Ginnie Mae	Fannie Mae
Administration of program	MI would administer entire program with quarterly reports sent to FHA	FHA	MI

FHA Single-Family Program

The Mortgage Insurance Companies of America (MICA) is concerned with purported plans by the Administration to raise the loan limits for the Federal Housing Administration's single-family mortgage insurance program (FHA) and to roll back some of the FHA reforms Congress enacted in 1990. When the FHA reforms were enacted, FHA was losing about $1 million a day. MICA believes it is inappropriate to make changes which direct FHA away from families who need it the most or which undermine its financial integrity.

FHA has been moving away from its historic mission of serving low- and moderate-income people. Attachment A provides the price of a house that the family earning median income could afford to buy from 1971 through mid-year 1993 and FHA's loan limits for that period. It clearly shows that 20 years ago FHA was serving median income people, but that slowly it has moved away from that mission as its loan limits have increased. Attachment B provides information on homeownership rates by income categories. Attachment C provides homeownership rates by race. Together these charts show that lower income and minority families have made little or no gains in homeownership in the last 20 years. Proposals to raise the limits to 95 percent of area median sales price will only exacerbate this trend and do nothing for lower income and minority families struggling to buy first homes. Lower income people do not have the income necessary to make the monthly payments on such expensive homes.

Raising FHA's loan limits also could hurt the program financially. Attachment D indexes the claim rates of all loans with a 95 percent loan-to-value ratio insured by private mortgage insurers from 1981 through 1990 that went to claim as of year-end 1992. It clearly shows that claims start to increase as loan amounts go above $125,000. If FHA were to be given authority to insure higher balanced loans, both the number of claims would be higher and the severity of loss on any one claim would be higher. Unlike private mortgage insurers, FHA covers 100 percent of the loan amount so that if a $200,000 loan were to go to claim, FHA would owe $200,000 on just that one claim.

MICA also cautions the Administration not to hurt FHA financially in an attempt to simplify its down payment or premium structure. FHA's 1992 book of business -- which was the first book to be fully subject to the 1990 reforms -- is the first book of business projected to be cash sufficient since 1979. If appropriate down payments are not maintained or the premium is not adequate to cover the risk FHA insures (keeping in mind the fact that FHA insures 100 percent of the loan amount whereas private insurers generally insure 20 percent to 25 percent), then FHA could face financial insolvency.

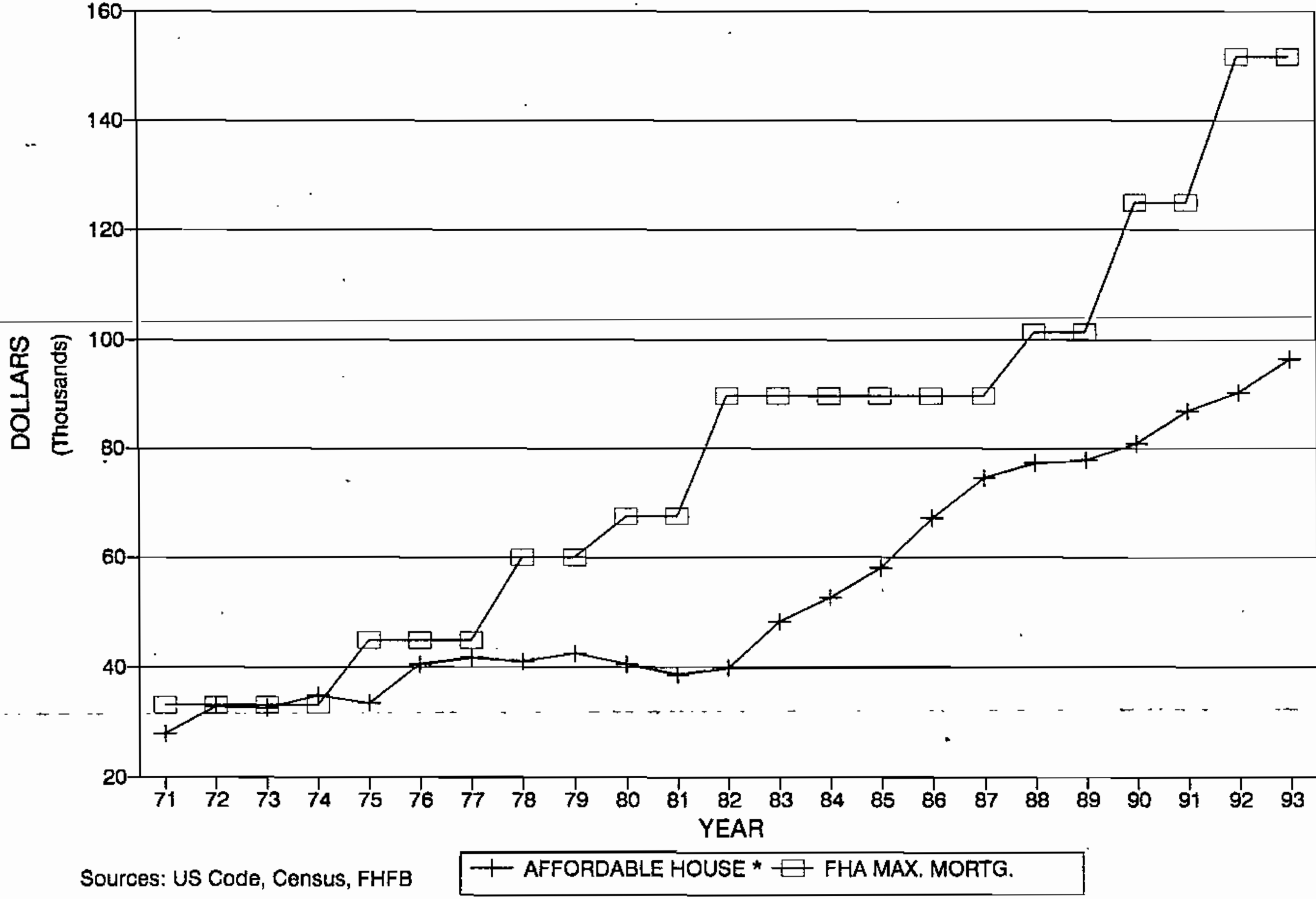
Attachment E illustrates the importance of ensuring that FHA's down payment requirements are adequate. It provides the history of

FHA's down payment requirements and default rates. When FHA's down payment requirements were lowered, its claim rates increased dramatically. Attachment F also provides a history of FHA's down payment requirements.

MICA urges the Administration not to direct FHA away from families who need a government program to help them achieve the dream of homeownership. MICA also urges it not to take steps that could jeopardize FHA financially. We want to see a strong FHA, serving low- and moderate- income families.

ATTACHMENT A

FHA MORTGAGE LIMIT VS. HOUSE AFFORDABLE TO MEDIAN INCOME FAMILY: 1971-1993

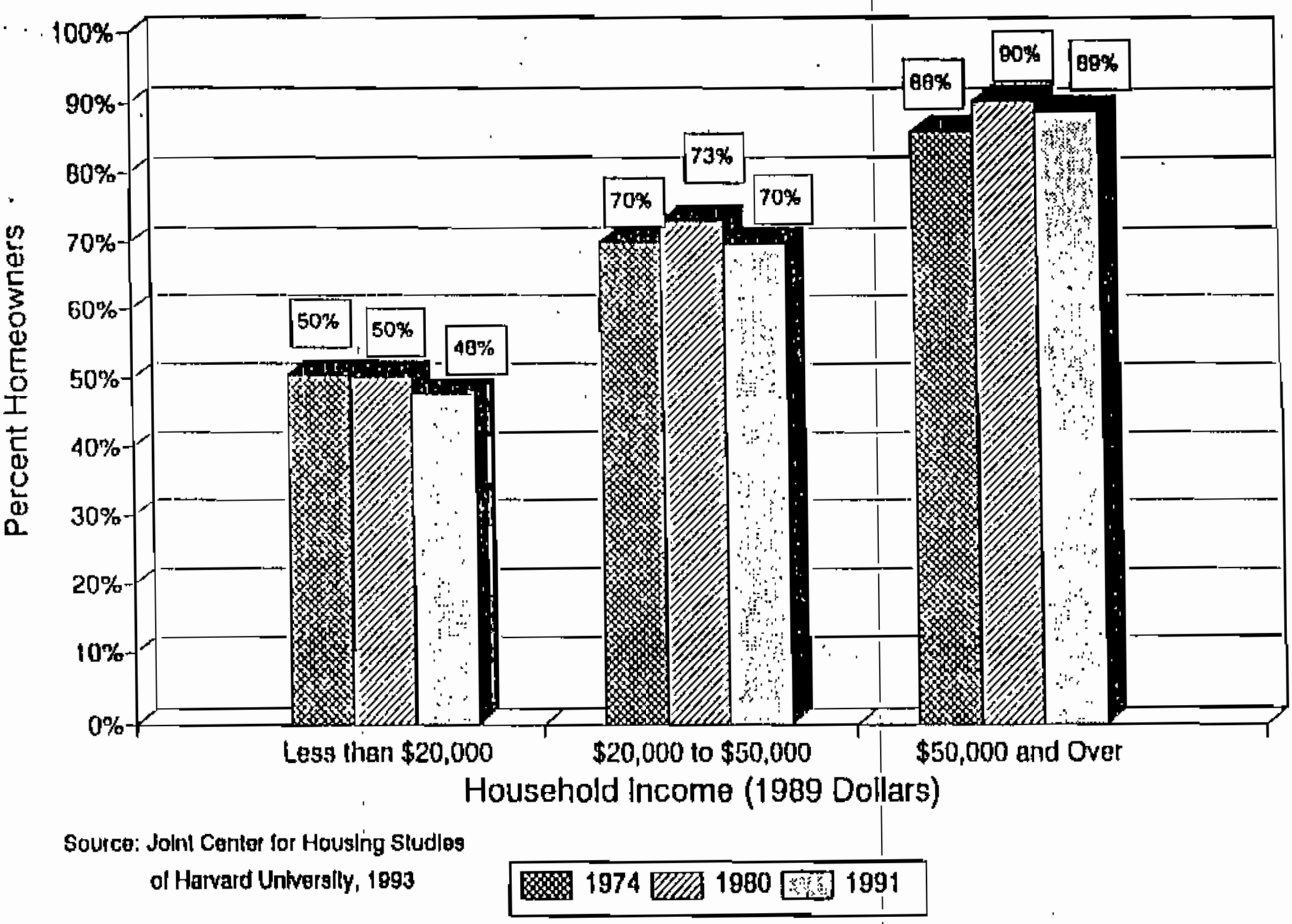


Sources: US Code, Census, FHFB

* House Affordable to Family Earning National Median Income

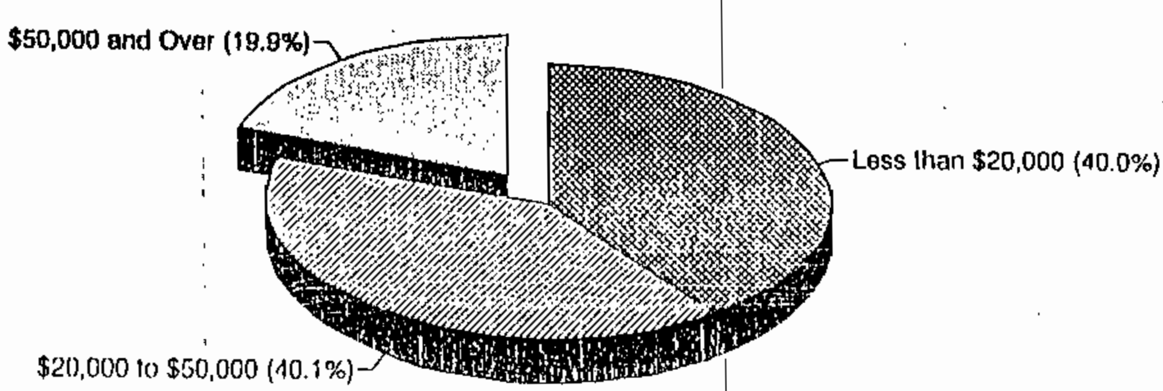
ATTACHMENT B

Percent Homeowners By Household Income 1974, 1981 and 1991



Source: Joint Center for Housing Studies of Harvard University, 1993

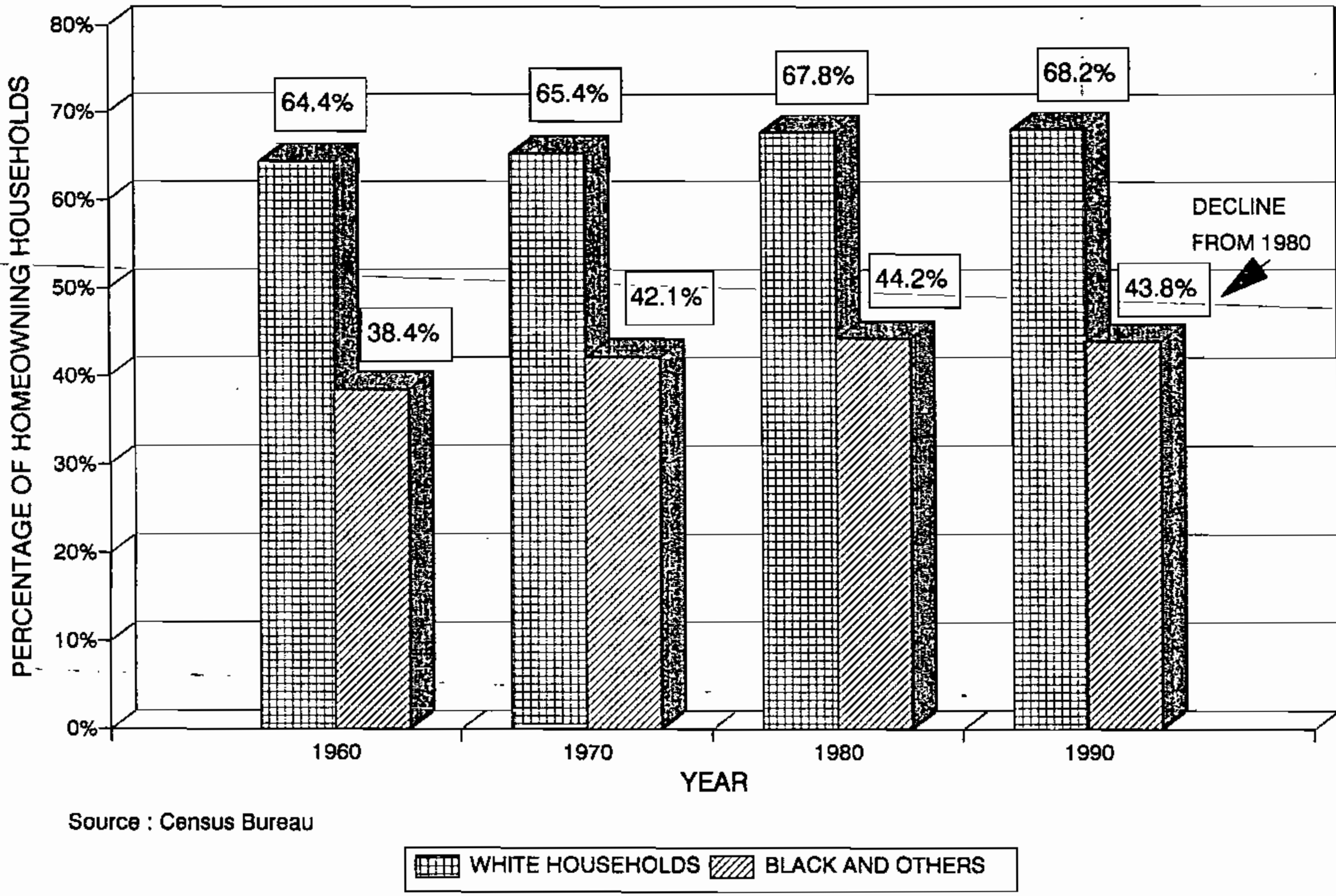
1991 Percent Distribution of Households By Income Level (1989 Dollars)



Sources: The Joint Center For Housing Studies of Harvard University, 1993
1991 American Housing Surveys

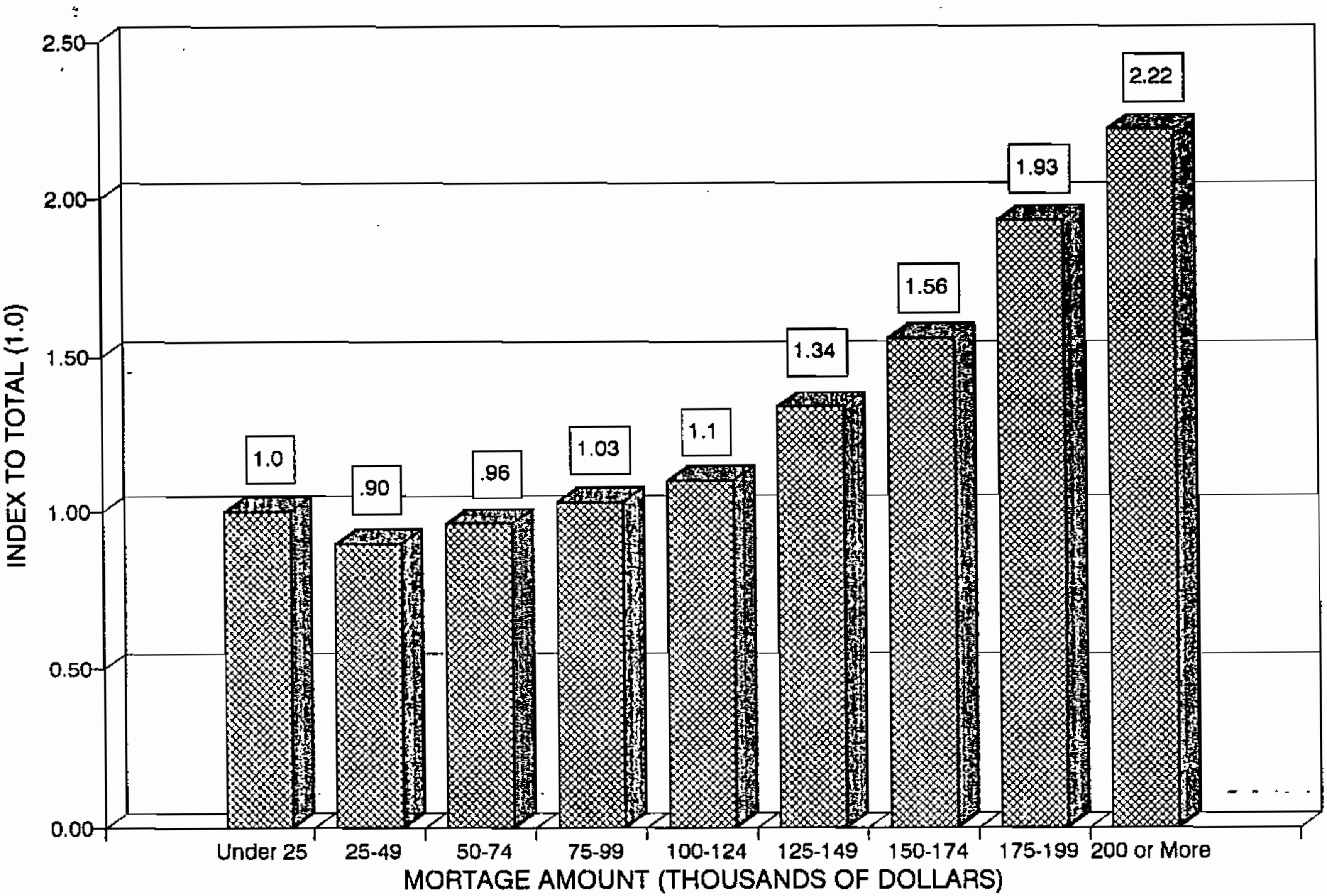
ATTACHMENT C

HOUSEHOLD HOMEOWNERSHIP RATES BY RACE
THIRTY YEARS OF CENSUS DATA (1960-1990)



Source : Census Bureau

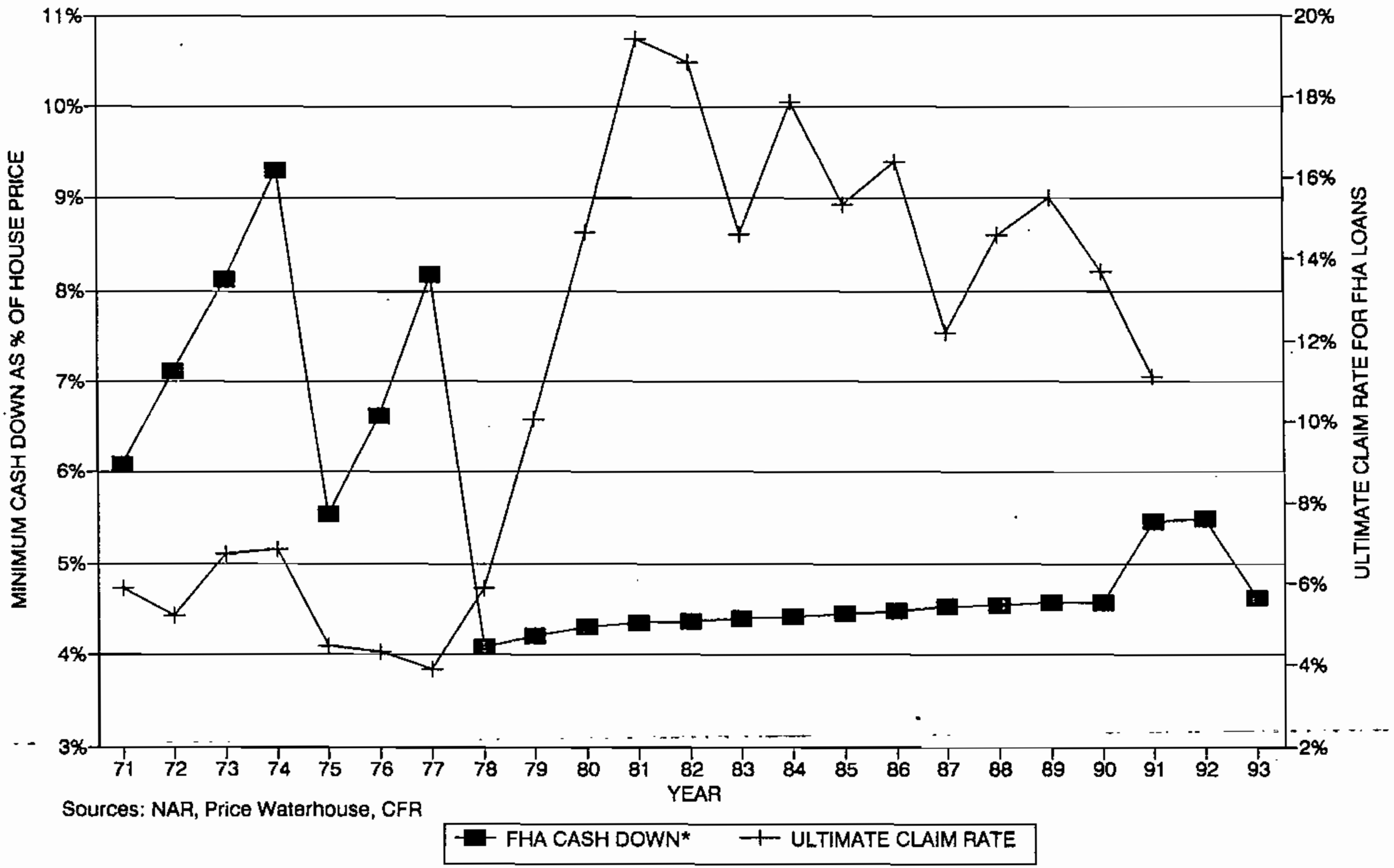
MICA EVER-TO-DATE CLAIMS INDEX
U.S. : 95% LTV : POLICY YEARS 1981-90



CLAIMS THROUGH DEC. 31, 1992

SOURCE: MORTGAGE INSURANCE COMPANIES OF AMERICA

FHA CLAIM RATES VS. MINIMUM CASH DOWN FOR PURCHASE OF MEDIAN EXISTING HOUSE



Sources: NAR, Price Waterhouse, CFR

* Cash Down to Buy National Median Priced Existing House

ATTACHMENT F

SINGLE FAMILY MORTGAGE INSURANCE LIMITS AND DOWNPAYMENT REQUIREMENTS FOR FHA : 1960 - 1993

1960 : Maximum Mortgage of $22,500 : Minimum Downpayment of 3% of first $13,500 of appraised value, 15% of amount between $13,500 and $16,000, and 30% of amount in excess of $16,000.

1962 : Maximum Mortgage of $25,000 : Minimum Downpayment of 3% of first $15,000 of appraised value, 10% of amount between $15,000 and $20,000, and 25% of amount in excess of $20,000.

1965 : Maximum Mortgage of $30,000 : Minimum Downpayment of 3% of first $15,000 of appraised value, 10% of amount between $15,000 and $20,000, and 25% of amount in excess of $20,000.

1969 : Maximum Mortgage of $30,000 : Minimum Downpayment of 3% of first $15,000 of appraised value, 10% of amount between $15,000 and $20,000, and 20% of amount in excess of $20,000.

1971 : Maximum Mortgage of $33,000 : Minimum Downpayment of 3% of first $15,000 of appraised value, 10% of amount between $15,000 and $25,000, and 20% of amount in excess of $25,000.

1975 : Maximum Mortgage of $45,000 : Minimum Downpayment of 3% of first $25,000 of appraised value, 10% of amount between $25,000 and $35,000, and 20% of amount in excess of $35,000.

1978 : Maximum Mortgage of $60,000 : Minimum Downpayment of 3% of first $25,000 of appraised value and 5% of amount in excess of $25,000. If appraised value is under $50,000 minimum downpayment is 3% of appraised value.

AFTER 1978 THROUGH 1990 MINIMUM DOWNPAYMENT REMAINED UNCHANGED FROM 1978 LAW BUT MAXIMUM MORTGAGE AMOUNTS ROSE AS FOLLOWS:

1980 : $67,500

1982 : $89,775

1988 : $101,250

1990 : $124,875

In 1991 the minimum cash downpayment was raised by an amount equivalent to 43% of closing costs on the house. That is, the existing downpayment requirements remained unchanged except that the borrower could only financed 57% of his closing costs. This administrative change by HUD was rolled back by Congress effective October,1992 so today 100% of closing costs are financed.

1993 : Maximum Mortgage of $151,725 : Minimum Downpayment of 3% of first $25,000 of appraised value, 5% of amount between $25,000 and $125,000, and 10% of amount in excess of $125,000.

THE ENTERPRISE FOUNDATION

Hope from Homes

June 25, 1993

Donsia/PJW -
Pls. follow up
w/them + w/Bruce Katz
I think we need
a home ownership
option.
-BR

Mr. Bruce Reed
Deputy Assistant to the President
for Domestic Policy
Room 216
Old Executive Office Building
The White House
Washington, DC 20500

Dear Bruce:

Enclosed is a memo prepared by a program director here at Enterprise which follows up on our discussion of a program to support lease purchase of publicly owned housing units.

I hope this is of assistance to you in developing this concept. Please do not hesitate to call if there is anything else I can do to help in this process.

Sincerely,

Paul

Paul Brophy
Vice Chair

Enclosure

cc: Sheila F. Maith

500 AMERICAN CITY BUILDING, COLUMBIA, MARYLAND 21044 • 410/964-1230

THE ENTERPRISE FOUNDATION

Hope from Homes

June 25, 1993

Ms. Donzia Strong
Senior Policy Analyst
Office of Domestic Policy
Old Executive Office Building
Room 224
The White House
Washington, D.C. 20500

Dear Donzia:

Enclosed is a short memo which I have prepared which explores the idea of a lease purchase program. As you will note from the context, HUD currently administers a program to support tenant purchase of public housing units. This explores the concept of using RTC, FHA and other units for the same purpose, with the addition of a tenant transition component.

Copies of this memo are being forwarded to Paul Dimond and Bruce Reed, at the request of Paul Brophy and Bart Harvey.

As I indicated before, I welcome the opportunity to work with you on this idea. Please give me a call when you have had an opportunity to review this and the background materials which I forwarded a few weeks ago.

Sincerely,

Sheila

Sheila F. Maith
Program Director

Enclosure

500 AMERICAN CITY BUILDING, COLUMBIA, MARYLAND 21044 • 410/964-1230

File: Housing

General Characteristics of Housing Assistance

- Not an entitlement
- Allocated by waiting lists, subject to Federal & local preferences
- General rule - tenant pays 30% of adjusted income toward rent and utilities

Public Housing

- Owned by local PHAs
- 1.3 million households

Project - Based Assistance

- Privately owned projects in which some or all units receive HUD subsidies
- Subsidies arranged prior to construction or subsequent to insured project becoming troubled (physically, financially)
- 1.7 million households

Section 8 Existing

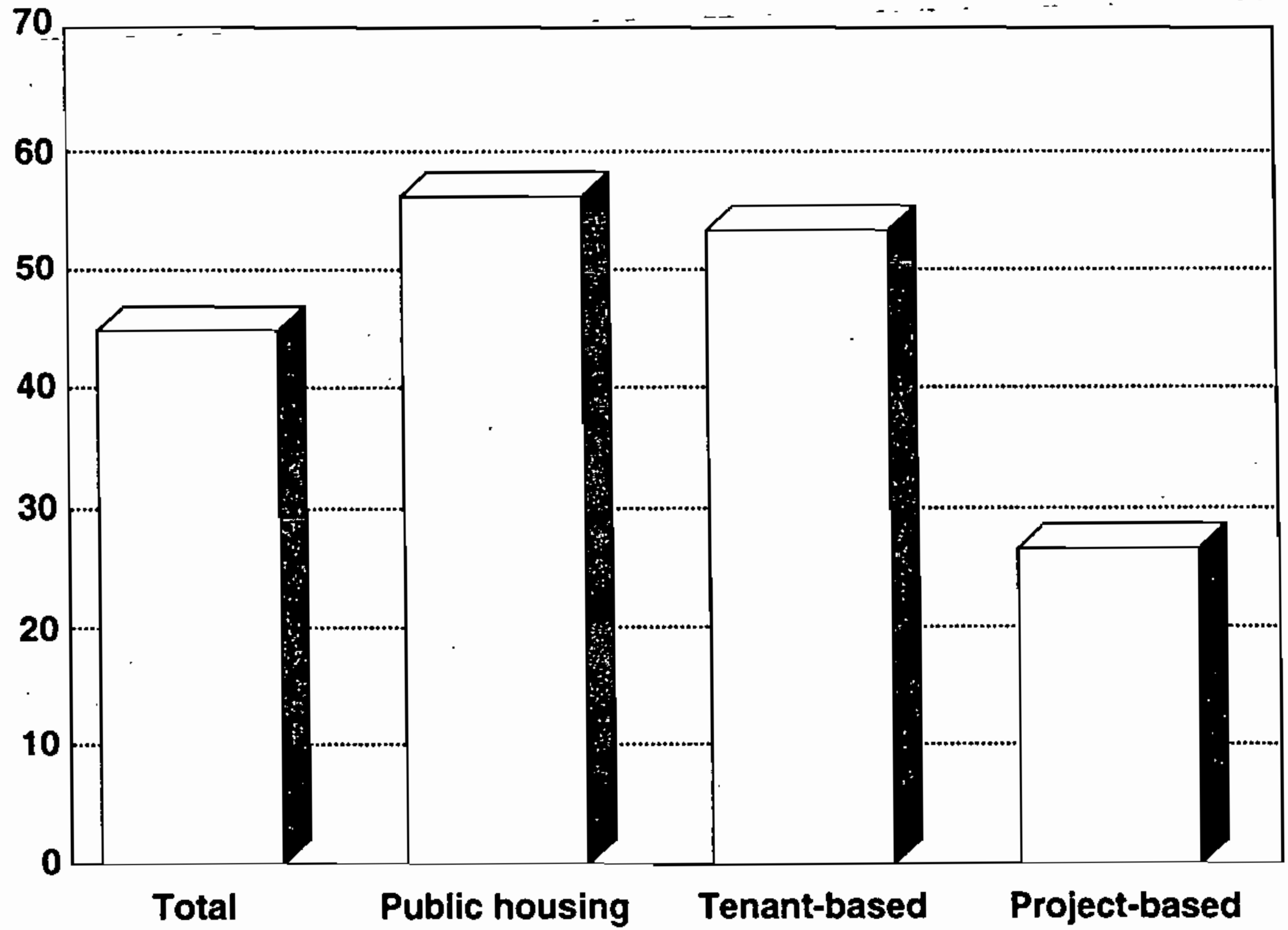
(Certificates & Vouchers)

(Tenant - Based)

- Any private housing the tenant chooses; subject to
  - HQS
  - Affordability under FMR
- 1.1 million households

Percent Nonelderly Households Receiving AFDC or SSI

By Type of Assistance



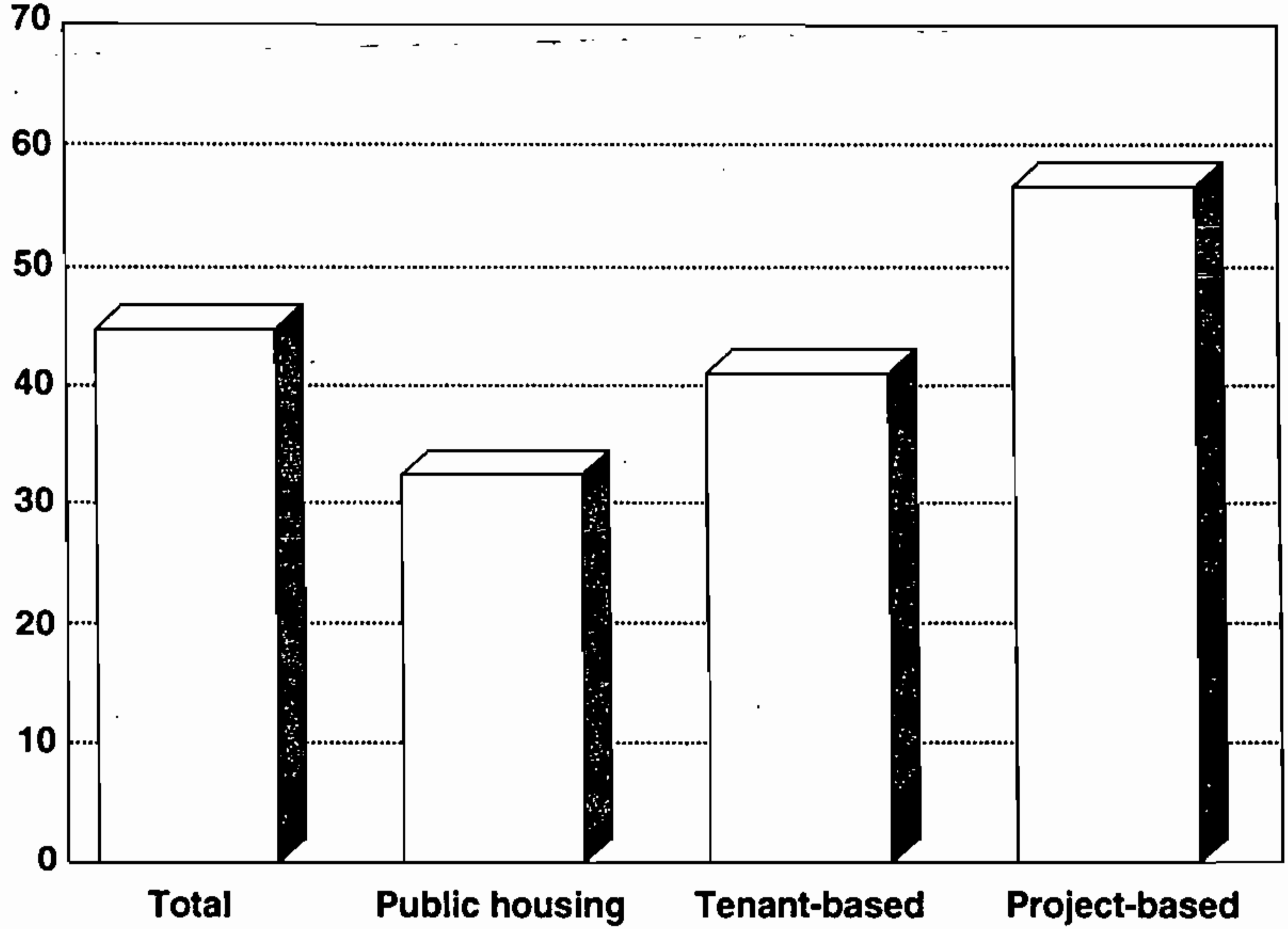
Shelter Arrangements, AFDC HHS

Public Housing	9.6%
HUD or Other Rent Subsidy*	13.9%
Owner-Occupied	4.7%
Unsubsidized Private Rental	62.9%
Rents Free	6.5%
Group Quarters	1.6%
Unknown	0.7%

*This figure, from HHS, is too low, due to respondent inaccuracy.

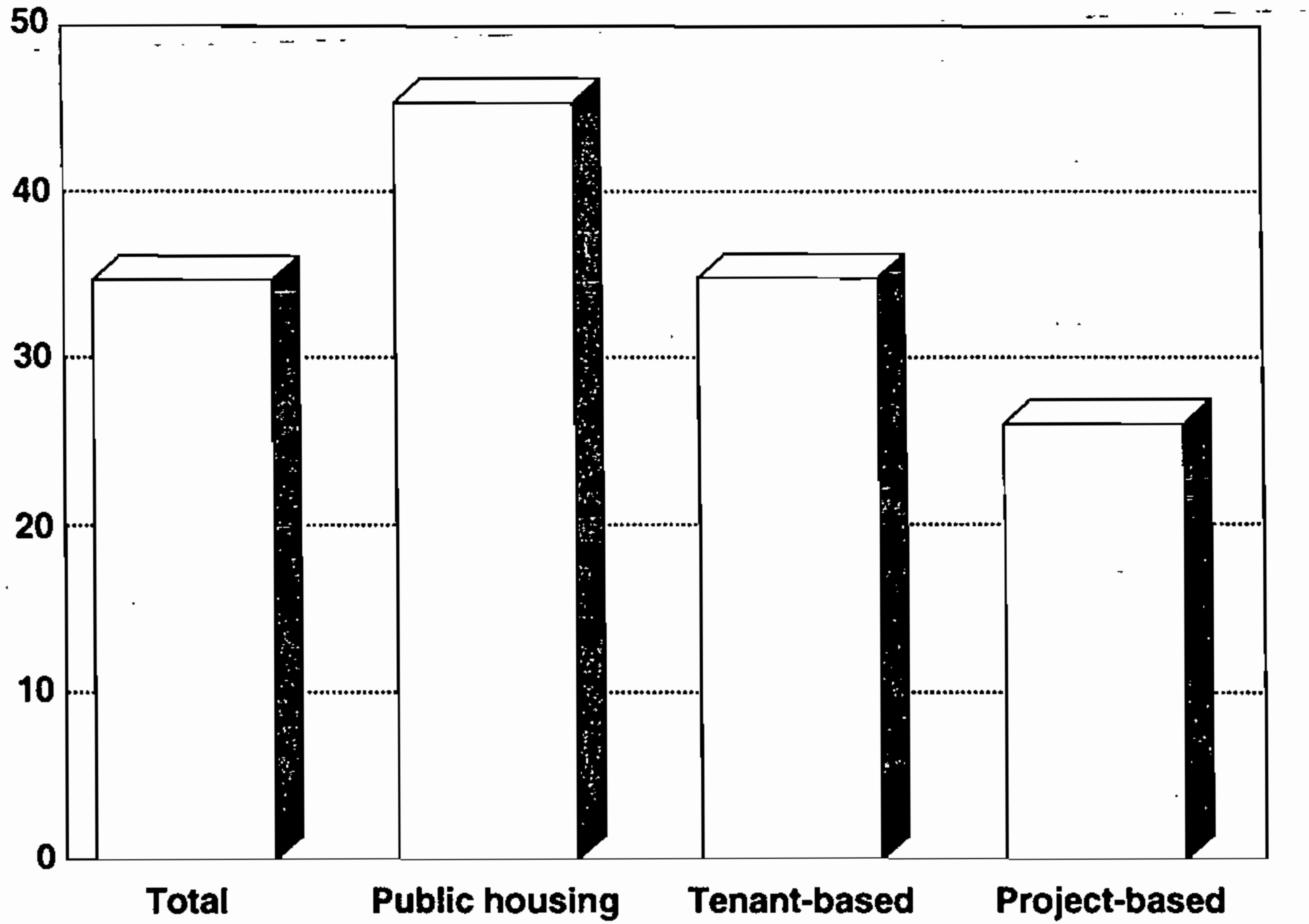
Percent Nonelderly HHs — Wages Majority of Income

By Type of Assistance



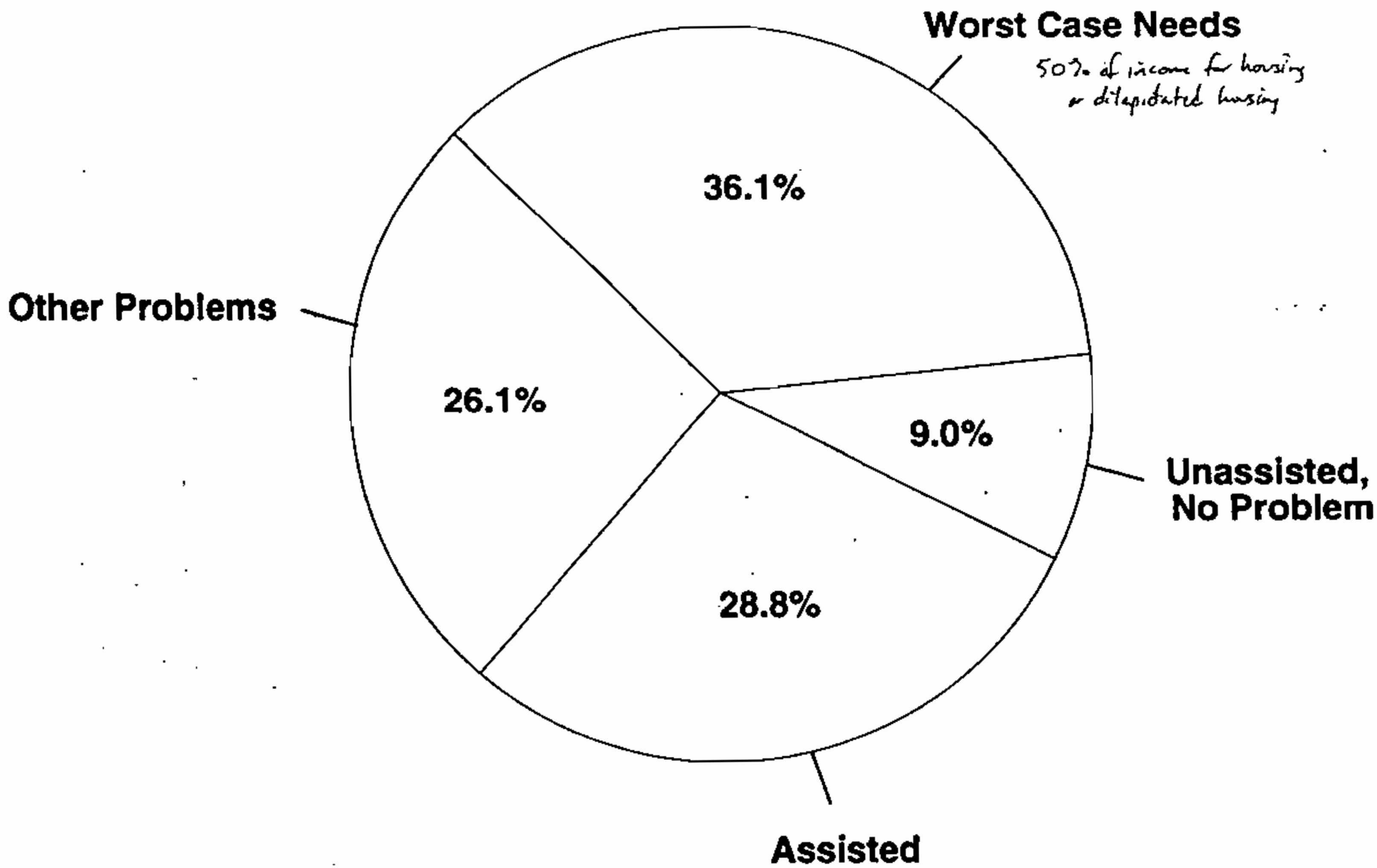
Percent Nonelderly Household Heads, Education < 12 Yrs

By Type of Assistance



Housing Problems Of Very Low Income Renters With Children

Total: 5.9 Million Households



Section 8

Subsidies at Different Income Levels in Four Cities, 1992

	Columbus, OH	Kansas City, MO.	Seattle, WA.	Denver, CO.
Monthly Fair Market Rent (2 Bdrm., Includes utilities)	$456	$451	$541	$506
AFDC Maximum Grant (3 persons), monthly	$334	$300	$531	$356
Amount of Section 8 to Maximum Grant recipient	$361	$366	$387	$404
Amount of Section 8 at $8,500 income	$261	$244	$334	$299
Amount of Section 8 subsidy at $11,570 income (poverty line for 3 persons)	$172	$167	$257	$222
Amount of Section 8 subsidy at $16,000	$ 61	$ 56	$146	$111
Phase-out level for Section 8	$18,240	$18,040	$21,640	$20,240

HHS Original Table 1

"Welfare Without Work (President's Budget)"

	Alabama	Pennsylvania	California
AFDC	$1,968	$4,836	$7,488
Food Stamps	3,395	2,534	1,739
Total	5,363	7,370	9,227

Counterpart to Table 1 — Household Receives Section 8 Tenant-Based Assistance

	Alabama	Pennsylvania	California
AFDC	$1,968	$4,836	$7,488
Food Stamps	3,395	2,534	1,739
Housing*	4,834	6,445	7,990
Total	10,197	13,815	17,217

*Section 8 assistance varies by housing market and by type of unit. The figure given is for a two-bedroom unit in the largest city in the state. The value of project-based assistance, where the family does not choose the unit, would be less.

HHS Original Table IIIA

"Full-time Work with Welfare (President's Budget)"

(No Child Care Expenses)

	Alabama	Pennsylvania	California
Earnings	$8,500	$8,500	$8,500
Taxes	(845)	(650)	(650)
Work Expenses	(1,080)	(1,080)	(1,080)
EITC	3,282	3,282	3,282
AFDC	0	0	1,016
Food Stamps	1,945	1,945	1,640
Total	11,802	11,997	12,709

Counterpart to Table IIIA
Household Receives Section 8 Tenant-Based Assistance

	Alabama	Pennsylvania	California
Earnings	$8,500	$8,500	$8,500
Taxes	(845)	(650)	(650)
Work Expenses	(1,080)	(1,080)	(1,080)
EITC	3,282	3,282	3,282
AFDC	0	0	1,016
Food Stamps	1,945	1,945	1,640
Housing*	2,874.00	5,346.00	7,381
Total	14,676.00	17,343.00	20,089

(Continued)

FSS Features

- PHAs program operators
- Minimum program size =
  - Number of new certificates, vouchers, public housing units authorized since program began (FY 1992)
- Program voluntary for families
- Contract of participation for
  - Services to family
  - Milestones to be achieved by family
- Services arranged by PHA from community agencies
- Escrow account for rent increases
- No new federal funding for case management

Hasing

The CART Initiative

What is CART?

Congregations And Residents Together (CART) is an economic development initiative which utilizes the considerable presence and leadership of neighborhood religious institutions to develop businesses in the African American, Hispanic and American Indian communities in Chicago. CART is designed as a not-for-profit corporation organized to assist communities in identifying those businesses and services they need, and then securing those services.

When did CART begin?

CART was incorporated in September 1992 and now has a central board of 26 religious leaders from throughout the metropolitan area. National Conference of Christian and Jews (NCCJ) currently serves as the administrator for the CART Initiative.

The CART Initiative (Cont'd)

How is CART structured?

CART is not-for-profit corporation which has the City of Chicago divided into twelve major neighborhood areas, each of which is represented through local area councils. CART identifies community business needs and funds the acquisition and establishment of those businesses through the use of public and private funds. These businesses are owned and funded by CART until they are sold to neighborhood entrepreneurs who will have operated them for a number of years.

The CART Board of Directors is made up of religious leaders from throughout the metropolitan area. The Board has ultimate responsibility for the daily and long-term direction of the CART initiative and oversees the operation of the twelve CART area councils.

A Local Religious Area Council (LARC) represents each of the 12 separate neighborhood areas in Chicago and is made up of religious leaders from that area. Each council solicits, views and recommends possible economic initiatives for their area to the CART Board of Directors.

CART Enterprises is a limited partnership which develops, staffs, and manages the start-up businesses. This is the business arm of CART which is responsible for hiring and training community residents to work at CART businesses. All CART Enterprises entities pool their assets and profits across the city. This structure allows them to enjoy the benefits of central financial reporting systems, business planning, unified advertising, and, where possible, central purchasing.

Finally, residents from the community are hired and trained by CART Enterprises to manage and staff these CART businesses. After several years, these entrepreneurs may acquire these businesses from CART. Funds from these sales are then available for new acquisitions by CART.

The CART Initiative (Cont'd)

The Preliminary Structure Of The CART Economic Initiative

The CART Economic Initiative is a comprehensive program designed to revitalize economically blighted and disadvantaged urban areas of Chicago through the establishment and overhaul of small, primarily retail oriented business, in those communities. CART, which stands for Congregations and Residents Together, will be guided and driven by a coalition of religious institutions and community residents organized in a not-for-profit corporation which will divide the City of Chicago into major neighborhood areas which will each be represented through local councils. The CART Board will then identify the community's social service, housing and business needs. CART will designate and fund the acquisition and/or establishment of those entities that will best meet the community's needs through a tax-exempt bond issue of approximately $60 million.

Congregation And Residents Together (CART)

- Not-for-profit corporation organized to enhance and revitalize inner city neighborhoods.
- Consists of 12 separate neighborhood zones, each represented by a local council.
- Will identify community needs and assist in the economic re-development.
- Will initially own CART funded businesses until they are sold to neighborhood entrepreneurs who will have operated them for a number of years as managers.

The CART Initiative (Cont'd)

CART Enterprises

- A limited partnership consisting of a general partner (identified here as ABC Corp., a yet unformed Illinois corporation) and a limited partner which will CART.
- The businesses will be developed, staffed and managed by CART Enterprises, a limited partnership, which will be responsible for executing and implementing the general social and business initiatives of the CART board of directors.
- CART Enterprises will be responsible for identifying and developing business opportunities in the various CART areas. It will work closely with the CART board of directors to analyze community business needs.
- All CART owned businesses will be managed and staff by CART Enterprises which will implement central purchasing programs and where appropriate, financial reporting systems, business planning and unified advertising.
- All operating proceeds, less operating costs, will be deposited with CART Enterprises, along with all current operating data collected through standardized business reporting systems.
- Since CART will be a limited partner in CART Enterprises, the operation and control of the partnership will be through the general partner (ABC Corp.) and its board or directors.
- CART will have final authority on all business acquisitions and depositions.
- CART will have the right to review and make nominations to the ABC board of directors or to veto a proposed nomination.

Organization Plan

Purposes

- Presentation and explanation to stakeholders and decision-makers in the CART Economic Initiative.
- To prepare an initial organization plan for the ongoing operations of CART Enterprises and its relationship to CART.

CART Board Of Directors

- Functions as a community service and social policy board:
  - Incorporates neighborhood employment and housing considerations in policy formulation
  - Represents affirmation action interests in the CART network
  - Articulates and assesses community needs
- Exercises veto power over acquisitions and dispositions of CART businesses
- May nominate candidates to, or veto the selection of members to the baord of directors of CART Enterprises in the subsequent, succession process.

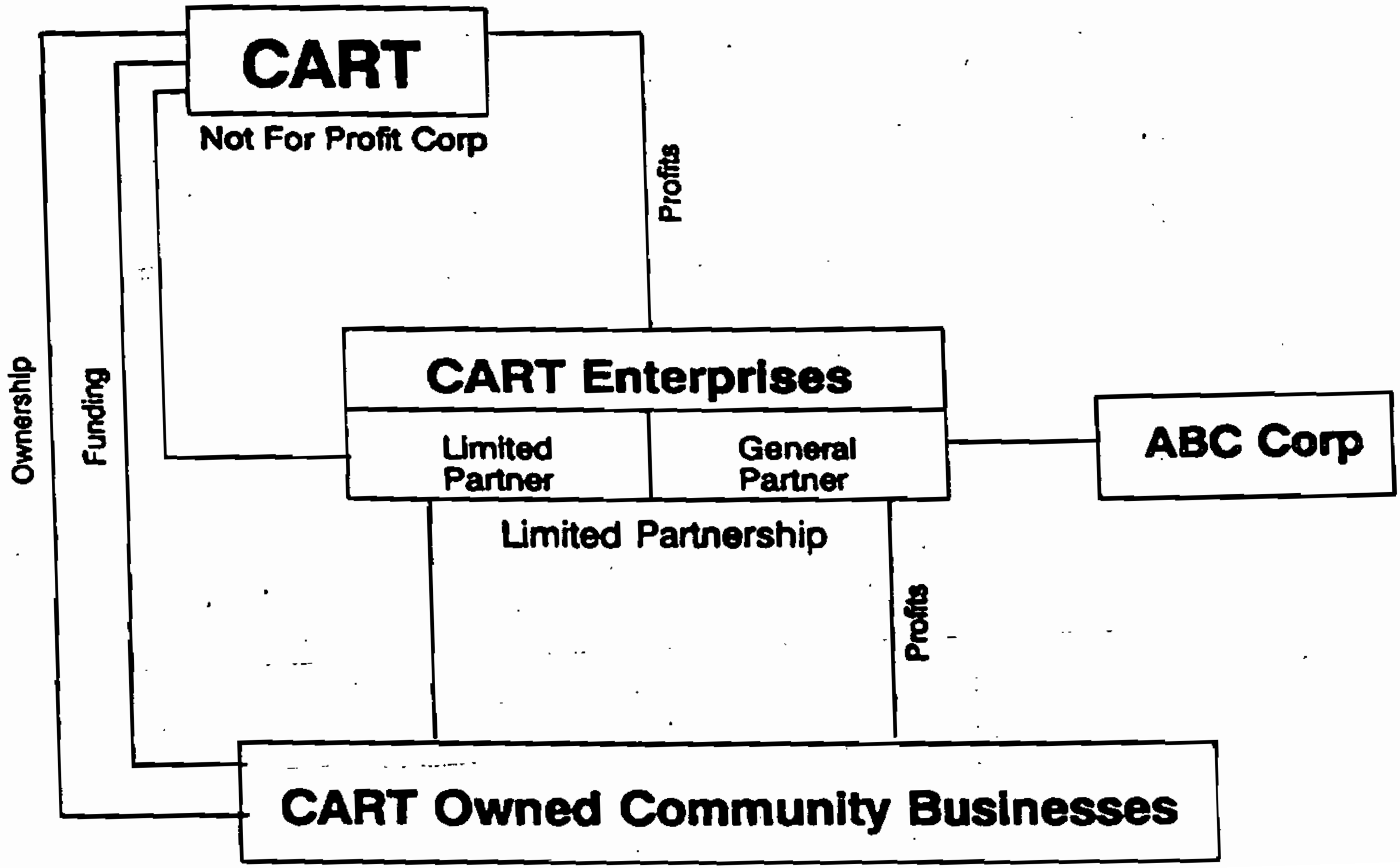
Organization Plan (Cont'd)

ABC Corp[1] - Board Of Directors

- Formulates business policies and operations plans subject to the community service andsocial policy directives of the CART board of directors.
- Comprised of experts in the following fields: finance, real estate, supermarket operation, strip-mall development, entrepreneurial business, public relations, small business development and assistance, accounting and financial information systems (this list is suggestive - not inclusive).
- The excutive committee of ABC shall also be responsible for the development of relationships with socially responsible corporations and businesses that are interested in working with and supporting the CART network.
- Once the CART structure is in place, the vice president for finance will develop a uniform financial reporting system for monitoring the ongoing financial results of the CART network and reporting to bond-holders.

[1] *ABC Corp., is the General Partner of the Limited Partnership. Thereby, it controls the Limited Partnership subject to the provision of the plan.*

CART PROGRAM OVERVIEW



CART Areas

The city will be divided into 12 CART areas that target low- to moderate-income neighborhoods where CART businesses will be created. These areas will be located within Neighborhood Planning Districts established by the City of Chicago Department of Planning and Development.

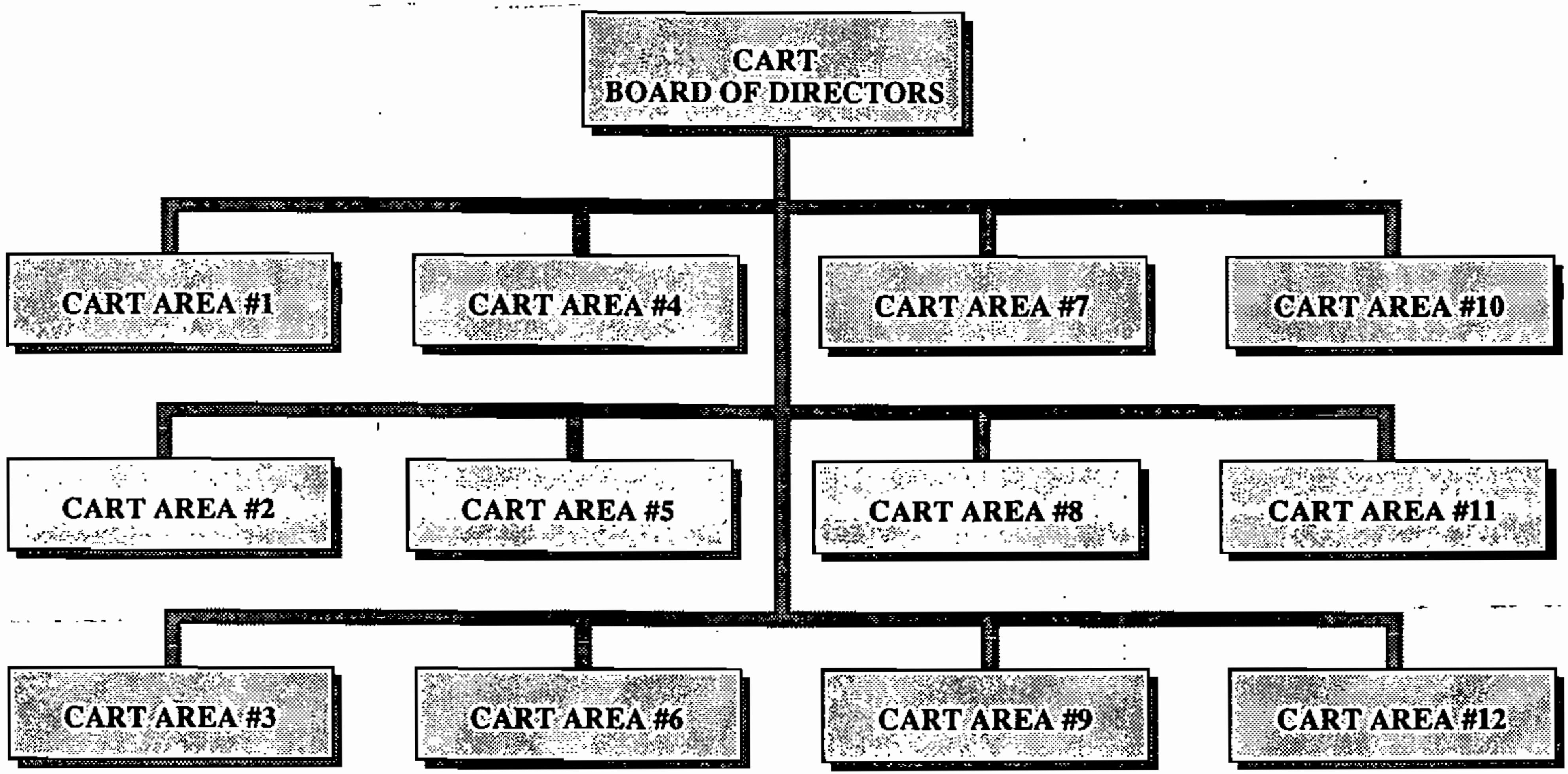
CART BUSINESS AREAS	
NORTHWEST PLANNING DISTRICT	
CART Area #1 North Park Albany Park Irving Park Avondale Logan Square Hermosa	
NORTH PLANNING DISTRICT	
CART Area #2 Rogers Park West Ridge Edgewater Uptown Lincoln Square	**CART Area #3** North Center Lake View Lincoln Park
WEST PLANNING DISTRICT	
CART Area #4 Humboldt Park Austin West Garfield Park East Garfield Park North Lawn dale	**CART Area #5** West Town (part) Near West Side (part) South Lawndale Lower West Side

CART Areas (Cont'd)

CART BUSINESS AREAS	
CENTRAL PLANNING DISTRICT	
CART Area #6 Near North Side Loop Near South Side Armour Square (part) Near West Side (part) West Town (part)	
SOUTH PLANNING DISTRICT	
CART Area #9 Douglas Oakland Grand Boulevard Kenwood Hyde Park Woodlawn South Shore Fuller Park	**CART Area #10** Washington Park Greater Grand Crossing Chatham Avalon Park Burnside Calumet Heights South Chicago
WEST PLANNING DISTRICT	
CART Area #11 Auburn Gresham Roseland Pullman	**CART Area #12** South Deering West Pullman Riverdale

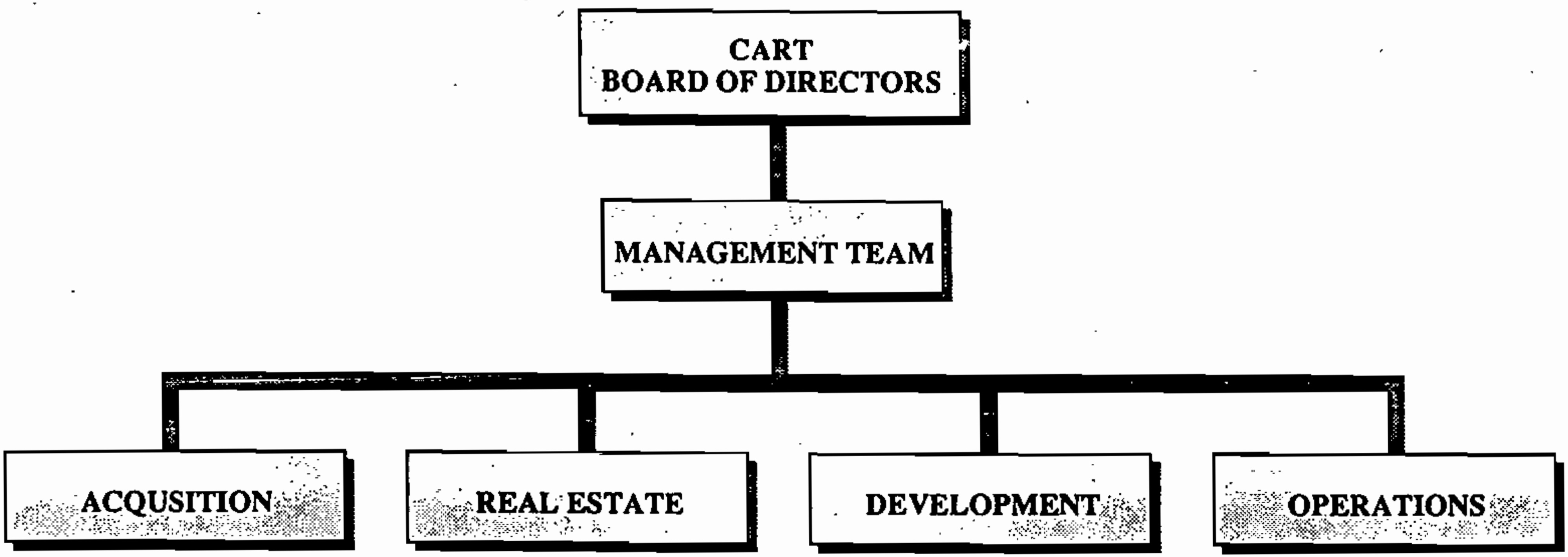
Congregations And Residents Together (CART)

POLICY AND GOVERNANCE STRUCTURE



Congregations And Residents Together (CART)

ORGANIZATIONAL CHART



Congregations And Residents Together (CART)

360 North Michigan Avenue
Suite 1009
Chicago, Illinois 60601
(312) 236-9272

BLACK CHURCHES MEAN BUSINESS

Saving Neighborhoods' Souls

By Mary A. Johnson
Staff Writer


SUN-TIMES/Robert A. Davis

The Christ Universal Temple bookstore sells everything from taped sermons to greeting cards. The church, at 11901 S. Ashland, is between the West Pullman and Morgan Park neighborhoods.

Coming soon to a predominantly black neighborhood near you: everything from housing for people with disabilities to a fitness center for athletes bound for the Olympics.

These aren't the plans of big real estate developers or government agencies, however. They are some of the economic development projects black churches hope to accomplish by passing the collection plate.

"We have been taught that the church has one element and that is to save souls," said the Rev. Joe Hill at Christ Universal Temple, between the West Pullman and Morgan Park neighborhoods.

"Our congregants are losing their jobs, and now leaders of those churches must step forward and provide a means of creating jobs and giving direction."


Joe Hill

Through big business ventures, many black churches are transforming the souls of neighborhoods. Some church leaders have reached beyond the pulpit, pulling chief financial officers, lawyers, architects, builders, bankers and others with solid financial backgrounds from their congregations to help lead the way.

Not since the aggressive business pursuits of the Nation of Islam revitalized pockets of the South Side has the collective buying power of the black dollar been so plainly demonstrated.

Is it a new movement?

Not really, said the Rev. Kenneth B. Smith, now president of the Chicago Theological Seminary and a former pastor of Church of the Good Shepherd Congregational, 5700 S. Prairie.

"Black churches have never divided the secular and the sacred," Smith said. "They have always talked about everything from the platform, and black business was promoted in the churches.

"The crisis is so great that it is imperative to work at this now."

Good Shepherd member Neville Reid, a lawyer with Mayer Brown & Platt, said: "The reality that we have learned from the last 12 years is that we really can't rely on the federal government to solve our problems."

Yet the innovative efforts of the black church have occurred out of the public spotlight.

"We have tried to get the media's attention," said the Rev. Wilbur Daniel, pastor of Antioch Missionary Baptist Church, 6248 S. Stewart in Englewood. "The news people are not interested in black progress, only in black controversy. We have been here all the time."

Daniel's church is one of the pioneers of economic development, starting by paying off its $200,000 mortgage before marching into the church building in 1958 with 58 converts to be baptized, Daniel said.

Anyone who remembers the area around 63rd and Halsted streets back then can testify to Antioch's handiwork.

"I have been happier here in Antioch Haven Homes than I have ever been since coming to Chicago," said Emma Dennard. "It has certainly changed the neighborhood, because it wasn't nothing but a rat den before the church built these houses."

Antioch recently completed the $12 million development of 125 mixed-income town homes on both sides of 63rd between Stewart and Wallace streets.

Other developments by the church include Roseanna L. Burrell Apartments, 423-31 W. Englewood, a 30-unit rehabbed courtway building; Wentworth Haven Senior Citizens Home, 7147 S. Wentworth, 60 units; Rose Haven Senior Citizens Home, 10220 S. Michigan, 60 units; Marguerite Daniel Homes, 13256-66 S. Prairie, 11 units, and Eden Greens, Fort Wayne, Ind., 192 units.

Antioch has two buildings under construction for people with disabilities—one at 55th and Peoria and another at 71st and Wentworth. And four other large apartment buildings on Normal are being renovated by the church.

Seed money for economic development by many churches is provided through tithing, in which parishioners give 10 percent of their income to the church.

"My whole responsibility is people, and housing and jobs seem to be their greatest need," Daniel said.

Dennard, a member at Antioch, can walk to church from her new home.

"Everything is so nice and I love it," she said. "It is like going from salt to sugar—that is how big a change it has made."

Antioch has a membership of about 2,000 and an annual budget of $1.5 million. Economic development projects are steered by a team that includes a CEO of a bank, a lawyer, an architect, and Daniel's son, who runs a computer company.

Members of the Church of the Good Shepherd hope to redevelop the area around the church, replacing dilapidated housing on the edge of the Washington Park community with low- and moderate-income housing and revitalizing commercial strips.

The church is finalizing a contract with a subsidiary of South Shore Bank for a study that would lay out the demographics and pinpoint funding sources.

"When I walk to church and see dilapidated buildings and people warming their hands over garbage cans, I know we have to do something about it," said Reid, a member of the church's economic development team.

Last year, the church spent $155,000 to rehab its own grounds and to add a first-class playground.

"We plan to transform the community," said the Rev. David E. Chambers Jr. "We wanted to make a statement to the community that we are here to stay."

His vision is to build housing similar to that in a Dearborn Park development near the Loop.

It is not just the vision of holy men.

"We have to take our own initiatives to find alternative funding sources and use our skills and education and bring them to bear on these problems," Reid said.

Over the next five years, Christ Universal Temple, 11901 S. Ashland, is targeting nearly $30 million in building projects, said Hill who was hired two years ago as its chief financial officer. The Rev. Johnnie Colemon is the founder and minister of the church.

The first phase of the project—a metaphysical bookstore and conference center for young people—will get under way next month. Christ Universal Temple plans to build a private school, a performing arts center and a fitness center where professional trainers will prepare young athletes for the Olympics, Hill said.

The church facility itself, built eight years ago, seats 4,000 people and has a separate banquet hall that seats about 800, soon to be expanded to about 2,000 seats, Hill said.

Hill said one of the goals of Christ Universal Temple is to rebuild infrastructure in the black community.

"We realize the mayors of these cities can only do so much," he said.

"Everybody must come together to help us save ourselves."

SUN-TIMES Photos/Robert A. Davis

Rosa Wyckoff reads a story to children at the Good Shepherd Congregation day care center. RIGHT: Asberry Runnels enjoys lunch and fellowship at the church, 5700 S. Prairie.

Chicago Tribune
Thursday, September [illegible]
146th Year — No. 261 © Chicago Tribune 7 Sections ** N

On one street, two different paths of success

Tribune photo by Nuccio DiNuzzo

Korean shop owner Kwang Sam Lee and employee Shawn Parish.

South Side Restaurant Ministers To Parish

By Mary A. Johnson
Staff Writer

With only 125 active members, St. Rest No. 2 Missionary Baptist Church on the West Side owns and operates a successful soul food restaurant on the South Side and is looking to build a school and housing for the homeless.

"I feel the church ought to be able to help its community and its parishioners. The church is an outreach to help the needy and minister to the needy," said the Rev. Larry Hopkins, the church's pastor.

Hopkins is anticipating a donation of several buildings on the South Side for rehabilitation into housing for senior citizens, the homeless and people with disabilities, and development of a private school.

Those are big plans for a little church. Still, St. Rest has managed to stay in the restaurant business for 17 years.

The original St. Rest No. 2 Restaurant was in a storefront at Laramie and Madison. It was successful for about 12 years, Hopkins said. About five years ago, the church purchased a building at 727 E. 87th and opened St. Rest No. 2 Country Kitchen, a soul food restaurant open seven days a week.

SUN-TIMES/Robert A. Davis

The Rev. Larry Hopkins greets guests at St. Rest No. 2 Country Kitchen, a soul food restaurant at 727 E. 87th. The restaurant is owned by Hopkins' St. Rest No. 2 Missionary Baptist Church.

That building used to house a hot dog stand. It now seats 200 and employs about 17 people.

"We saw a need for the restaurant," Hopkins said. "It started with tithes and offerings and comes back to the church in jobs."

The restaurant operates as a business, but also provides jobs for church members and income for the church to operate. "We feed a lot of people who don't have money," Hopkins said.

Jennifer Brown, 29, was unemployed four years ago when Hopkins offered her a job. A member of the church, Brown is a waitress and cashier at the restaurant.

"It has been a blessing for me to have a job because jobs are so hard to find," Brown said. "Pastor gave me the opportunity. Since I have been here I have learned a lot of skills. It is making me want to open my own restaurant."

Brown said working at St. Rest Country Kitchen also helps her give something back to the community.

"Most people can feel the warmth of the Christian environment," she said. "I hear people come a long distance just to come here and eat."

Harvey Dealership Takes a New Turn

By Lee Bey
Staff Writer

If the salesman at the New Harvey Chrysler Plymouth says he has to go to the bosses before approving a price on a car, it might be a good sign.

The new car dealership, scheduled to open this spring, is run by a board composed mostly of a group of African-American clergymen called the South Suburban Ministers Fellowship.

And they say their boss, is, well, You Know Who.

The dealership, in Harvey, is an example of a growing number of enterprises in black communities born of the black church.

The Rev. Sam Hinkle, a member of the South Suburban Ministers Fellowship, said modern black ministers may have to take on unconventional roles to address the needs of their communities.

"Who defines the role of the preacher but the preacher and God?" he said. "Man is not just a spirit; he is soul, mind and body. So we need to be concerned about education and economics. We need to be concerned about the total man."

The minister's link to the sprawling dealership began last summer when the group organized rallies and met with Chrysler officials in a bid to help the dealership open after its owner, south suburban businessman Bobbie Falkner, went bankrupt.

The effort, which featured a weeklong sit-in at the dealership to stall Chrysler's attempts to liquidate the inventory, won the backing of the city's politicians, community leaders and citizens.

But weeks of negotiations proved futile, and Chrysler took the cars. Then the ministers asked Chrysler to let them have a go at running the dealership.

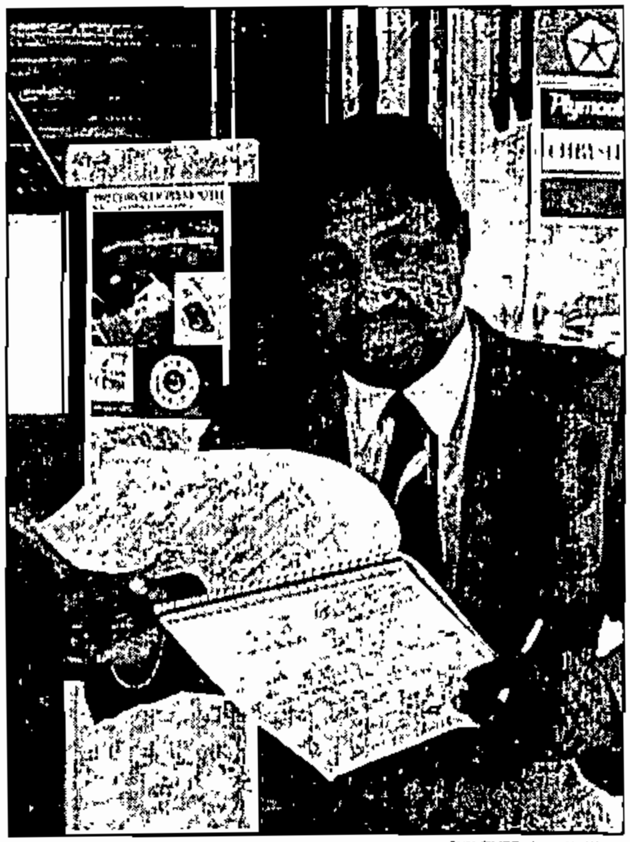
The answer? Yes, provided the group could find a manager and raise $400,000.

Hinkle said the ministers found businessman Clifford Curry—now president of the dealership—and raised $700,000 by selling bonds in the African-American community. An opening date is expected to be announced soon, Hinkle said.

"This is a significant development from the standpoint that this is a coalition between the black church, the black business community and the black political leadership to come together and save a business," said Harvey Mayor David N. Johnson. "We're pointing to a model that could be replicated across the country."

Harvey city officials hope the reopening will spark redevelopment in the area.

It is a "vibrant area," Johnson said.



SUN-TIMES/John H. White

Businessman Clifford Curry is president of New Harvey Chrysler Plymouth. The new dealership, to open soon at 16900 S. Halsted, is run by South Suburban Ministers Fellowship.

By R.C. Longworth

Kwang Sam Lee and Donald Hall do business within a block of each other on South Halsted Street, in the riches-to-rags Englewood mall. But there the resemblance ends.

Lee came to the U.S. from South Korea in 1971. Three years later, he bought a South Side store that sold wigs to the black women who lived in the neighborhood.

Well-educated and well-connected, Lee, 49, bought his wares—first the wigs, later men's clothes—from Korean wholesalers and got his financing from Korean banks and friends.

How's business now?

"I'm happy," Lee says. "I'm happy with this profit."

Hall, 31, is a black businessman literally one step up from the curbstone. He grew up in the Englewood neighborhood and graduated from a city junior college. He was peddling clothes from an outdoor stall when he got a chance to open his own men's clothing store last October.

The success of Korean-owned shops in the inner city contrasts sharply with those run by blacks, who must do business by a different set of rules.

With no friends or bank to finance him, Hall is plowing his earnings back into his small shop and hoping to survive.

How's business?

"It's running pretty close to the bone," he says.

The arrival of Korean immigrants in large numbers here coincided with the civil rights movement of the 1960s. At the moment that Koreans went into the ghettos to seek their fortunes, blacks with education and skills found that the doors out of the ghettos were beginning to open. Those who could left. Those who couldn't stayed behind, often unequipped to compete with the well-educated, well-financed immigrants.

In Chicago's white neighborhoods, Koreans are most visible as the owners of some 3,000 laundries and dry cleaners. In what passes for the commercial heart of the inner city, they own the majority of stores of all kinds—more than half in Englewood, for instance, and fully 85 percent in the Madison-Pulaski strip on the West Side. Koreans dominate shops in Roseland on the South Side and even the legendary Maxwell Street.

See Koreans, pg 16

In all, Koreans, most of whom live in the suburbs, own from 800 to 1,000 inner-city stores in Chicago.

By contrast, blacks—including blacks who live in the neighborhoods themselves—own only 10 percent of the stores, and most of these are cafes or barber shops. On the average, these stores die faster and make only half as much money as the Korean-owned stores, the U.S. Census Bureau says.

This Korean dominance of shopping strips in the nation's inner cities has been growing for 20 years. But it took this year's Los Angeles riots and the looting after the Chicago Bulls' second championship to spotlight the trend.

So far, it has drawn few academic studies, probably because professors, like most Americans, fear the land mines lurking beneath any comparisons of races.

The few studies that have been done say there is nothing underhanded or illegal about the Korean success. Rather, it springs from a culture that nurtures business as vigorously as the inner-city culture seems to stifle it. A crucial difference is that Koreans have much easier access to credit from banks and other sources than blacks.

These studies, by Koreans and others, also say that Korean immigrants succeed because they are well-educated, grew up in a business-minded culture, work fanatically and use their families for cheap labor and have ties to businesses in Korea and Korean wholesalers here. Most important, they are forced to use their business skills in the ghettos because discrimination and their poor command of English keep them out of easier jobs in the mainstream economy.

The same studies say that inner-city blacks fail, relatively speaking, because they are poorly educated, did not grow up in a business culture, have little access to money and do not have strong families to help them. In the post-civil rights era, ambitious and well-educated blacks joined large corporations or the government, leaving ghetto commerce to ill-equipped blacks who are no match for the hard-driving Koreans.

"The Koreans saw this place as the land of plenty," says Myra Washington, head of the Chicago branch of the Majestic Eagles, a Washington-based black self-help business group. "But we African-Americans, when we came to the United States, we came on slave ships. When you come to a land of plenty, you think, 'I'm gonna get rich.' But when you come as slaves, this creates a mentality that we have to work through."

Either way, the ghetto store is no honey pot. It offers long hours, danger and relatively low wages. Few Korean storeowners expect their children to take over the shop; most want them to get an education and a professional job.

"This society prefers upward mobility," says Inchul Choi, spokesman for the Korean Merchants Association. "The children of the businessmen prefer professional jobs. If a store is sold, it usually is to another immigrant."

The immigrants, lacking a choice, have succeeded at ghetto commerce. Poor blacks, also lacking a choice, haven't.

"It's a vicious circle," says Injin Yoon, a Korean sociologist who recently left the University of Chicago for the University of California, Santa Barbara. "Given the lack of black business ownership, potential black business owners have little opportunity to learn business skills and experience, and thus become incompetent in managing small businesses.

"This is in sharp contrast to members of other immigrant groups who learn business skills and build social networks with suppliers and customers during their employment in the business owned by kin, friends and other co-ethnic members," Yoon wrote in a doctoral dissertation that is probably the best study so far of black-Korean rivalry for the inner-city dollar.

If the contrast between black and Korean business profiles is sharp in Chicago, nationally it is just as startling.

According to the Census Bureau, Koreans are by far the most numerous owners of small businesses on a per-capita basis—white or black, native-born or immigrant.

There are 102 Korean-owned businesses in this country for every 1,000 Koreans. No other ethnic or national group comes close; immigrants from India rank second with 75. There are 67 white-owned businesses for every 1,000 native white Americans.

Black Americans rank near the bottom, owning only 14 businesses for every 1,000 persons. Only Native Americans and Puerto Ricans rank lower.

The Asians also make more money. The average Asian-owned business brings in $93,200 per year, the Census Bureau says, double the $46,600 earned by the average black-owned store.

"They've just absolutely looped us out," says Barbara Proctor, president of Proctor & Gardner, one of the city's largest black-owned advertising agencies.

The Englewood business careers of Kwang Sam Lee and Donald Hall are typical of Korean and black business experience in the inner cities.

Lee, educated in languages and business, came to the U.S. from Seoul 21 years ago to work for a Korean export-import company. He had studied English in Korea but, like most immigrants, didn't speak it well enough to get a job in the mainstream American economy.

But his company owned the Englewood wig shop and, in 1974, Lee bought it, with financing provided by the company.

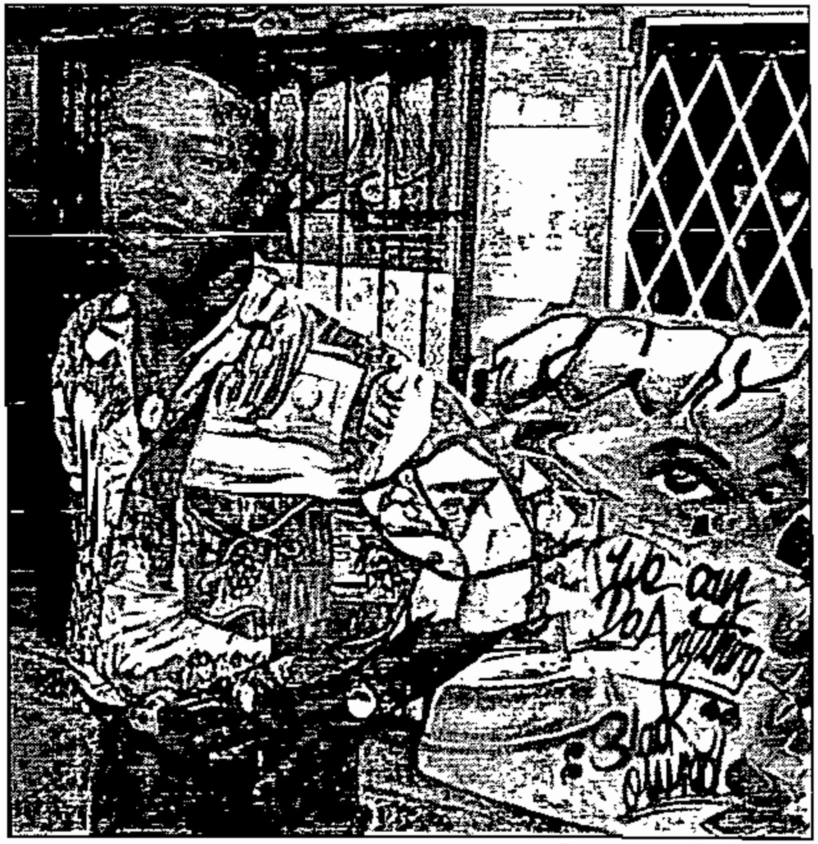
Before and during World War II, the South Halsted strip around 64th Street was the second-biggest shopping area in Chicago, after State Street. But the neighborhood changed racially in the 1950s and 1960s and, by the time Lee arrived, racial unrest had chased out the chic shops and major retailers.

Lee's shop, like the first Korean shops in Englewood, sold cheap wigs imported from Korea, which were a fad in black neighborhoods at the time. "It was good," Lee recalls. "Oh, it was good."

But the fad passed quickly. By 1979, Lee had renamed his store U.S. Men's Fashion, selling inexpensive men'swear made in Korea and sold by Korean wholesalers.

The wholesalers are a key link in the chain of Korean success here. According to Yoon, they bought up the first stores in the inner cities in the late 1960s and recruited immigrants like Lee. Today, they take orders from the storeowners, who keep them up to date on the latest fads, and import the goods from manufacturers in Korea or other Asian nations. Yoon says that 82 percent of inner-city Korean merchants buy from Korean wholesalers.

These suppliers are a source of goods cheaper than those available to black merchants. They also stand ready to help merchants with loans or other financing.



Tribune photo by Nuccio DiNuzzo

Black businessman Donald Hall plows everything he earns back into his small men's clothing shop in Englewood, hoping to survive. But business, he says, "is running pretty close to the bone."

Black merchants, lacking black wholesalers, say they buy from suppliers of different nationalities, including some Koreans. Barbara Rankine, part-owner of BAMI and Affordable Fashions, also on South Halsted Street, said Korean wholesalers deliver promptly but give discounts to Korean merchants, who are able to order in larger quantities than blacks.

When black merchants have links to African-American suppliers, they do well, according to Proctor. This is one reason for the success of black-owned barber shops and beauty parlors, with their ties to the giant, black-owned beauty products firm of Johnson Products Inc. of Chicago.

But blacks often lack the sources of financing available to Koreans. Yoon said some 60 percent of the immigrants have money of their own. Fifty-five percent borrow from family or friends; about 30 percent get loans from banks, many of them Korean-owned.

Then there is the kye, pronounced "gay," a rotating credit system found in many Asian communities. In a kye, 10 to 20 immigrants regularly deposit a set sum, from $10,000 to $30,000 or more, into a common pool, with the pool going to a different member each month, to be used to set up or expand a business.

Kye have become so well-known that many outsiders think they dominate financing in Korean communities. Actually, Yoon says, only about 28 percent of the

File:
Housing

THE WHITE HOUSE

WASHINGTON

July 13, 1993

MEMORANDUM FOR CAROL RASCO

FROM: Paul Weinstein

SUBJECT: Meeting With HUD Regarding Proposed Housing Bill.

Tomorrow at 9:00 AM, HUD will be briefing you on their proposed housing legislation. Bruce Katz, Andrew Cuomo, Nick Retsinas (Assistant Secretary For Housing), and Joe Shuldiner (Assistant Secretary for Public and Indian Housing) will conduct the briefing.

My understanding is that Howard Paster will oppose moving on this legislation any time in the near future. He or Paul Carey will attend the 9:00 briefing.

My recommendation is that you support submitting housing legislation this year, although maybe not next week as HUD would like. The bill includes several initiatives that were important pieces of the President's campaign agenda. These include:

- **Raising The Ceiling On FHA Mortgage Insurance** -- One of the President's first campaign promises was to raise the ceiling on FHA mortgage insurance to 95% of the median price of a home in a average metropolitan area. The HUD bill would implement that promise. The proposal would effect about 18 metropolitan areas. Maybe more importantly however, the legislation would also increase the ceiling on FHA mortgage insurance in low-to moderate income communities from $67,500 to around $90,000. This would have a major effect in rural communities which have lower housing prices. It is important to note that this proposal has a positive budgetary impact.

- **Community Partnerships Against Crime (COMPAC)** -- This section of the bill would authorize $265 million for FY94 and $325 million for FY95 for anti-crime strategies in public housing. This would include funding for cops, as well as security hardware and crime prevention. It is estimated that the funding in the legislation would provide for 5,000 additional police each year (although we think that is an underestimate).

- **Removing Barriers To Work** -- The HUD bill would remove disincentives to work that are contained in public housing rent rules. The current "30 percent" rule, for example, penalizes tenants who try to move from welfare dependency to self-sufficiency.

HUD's legislation would exclude for 18 months the earned income of public housing residents who obtain employment.

Although the legislation has many pluses, there are some drawbacks. It does not contain much in the way of tenant ownership which the President endorsed during the campaign on several occasions. A Presidential housing initiative without any tenant ownership proposals might raise serious political problems for the President.

cc: Bruce Reed
Gene Sperling

File: Housing

Attachment 7

PRINCIPLE DIFFERENCES BETWEEN THE 1991 GUIDELINES AND THE 1993 INTERIM RULE FOR THE FSS PROGRAM

	1991 GUIDELINES	1993 INTERIM RULE
FSS PROGRAM IMPLEMENTATION	Mandatory for IHAs receiving new rental units in FY 93 and subsequent FYs	Optional for IHAs receiving new rental units in FY 93 and subsequent FYs
	No deadline for FSS enrollment completion	FSS enrollment must be completed 2 years from funding notification
	Listed 4 reasons why HAs may be exempted from implementing the minimum FSS program size	Lack of family interest was added to the list of reasons for an exemption from implementing the minimum FSS program size
PROGRAM COORDINATING COMMITTEE	Tenant and HA participation on program coordinating committee recommended	Tenant and HA participation on program coordinating committee mandatory
FSS FAMILY SELECTION	FSS families could be selected from applicants on the waiting list or tenants/Section 8 participants	FSS must be selected from tenants/Section 8 participants
	Motivational screening and targeting restricted	50% FSS slots may be targeted to families applying for or participating in FSS service programs Permissable motivational screening factors include assigning preselection tasks such as attending meetings or obtaining information Must not select FSS families based on education, job history, credit, marital status, number of children, or tests

	1991 GUIDELINES	1993 INTERIM RULE
ACTION PLAN	Action plan did not include a plan for providing incentives to families to encourage FSS participation	Action plan must include a plan for providing incentives to families to encourage FSS participation (solely offering the mandatory escrow is acceptable)
	Action plan did not include an HA assurance that a family decision not to participate in FSS will not affect the family's admission to, or occupancy of, assisted housing	Action plan includes an HA assurance that a family decision not to participate in FSS will not affect the family's admission to, or occupancy of, assisted housing
HEAD OF FSS FAMILY	Could be different from head of household	Must be head of household
CONTRACT OF PARTICIPATION	Individual training and services plan interim goals not required	Individual training and services plan interim goals required
	Guidelines did not include a definition of FSS program completion	Defines completion of the contract of participation as (1) when the family has fulfilled all contract obligations on or before the end of the contract, or (2) when 30% monthly adjusted income equals or exceeds the FMR
TERMINATION OF SECTION 8 ASSISTANCE	Lease violations could be grounds for termination of Section 8 assistance	Section 8 assistance cannot be terminated based solely on lease violations or not becoming independent of welfare assistance

	1991 GUIDELINES	1993 INTERIM RULE
ESCROW	One of the requirements for receiving the escrow was that FSS families must be independent of housing subsidies within 10 years of beginning FSS program	One of the requirements for receiving the escrow is that FSS families must remain independent of welfare assistance for one year prior to end of contract of participation
	Families could not receive a portion of the escrow prior to completion of the contract of participation	Families may receive a portion of the escrow before completion of the contract of participation if they meet certain interim goals and need the escrow funds to complete the contract
	HAs may establish separate or combined (all FSS families) escrow accounts	HAs must establish combined (all FSS families) escrow accounts
	Escrow reports not required	HAs must provide annual escrow reports to FSS families
	Escrow credit for low-income (but not very low-income) families was 1/2 of credit amount for very low-income families	Escrow credit for low-income (but not very low-income) families based on 50 % of median income limit and results in a higher credit than under 1991 FSS Guidelines
PORTABILITY	Two escrow accounts must be established for portable families	One escrow account must be established for portable families
	FSS families must initially reside in the jurisdiction of the HA administering the FSS program	FSS families must lease a unit in the jurisdiction of the HA which selected the family for the FSS program for at least 1 year from the effective date of the contract of participation

BACKGROUND INFORMATION ON FEDERAL LOW-INCOME RENTAL HOUSING ASSISTANCE & FAMILY SELF-SUFFICIENCY INITIATIVES

prepared for the Welfare Reform Working Group

by

Office of Policy Development and Research,
The Department of Housing and Urban Development

May 28, 1993

File: Housing
cc: Paul D.

Background information on low-income rental housing assistance, as it relates to the mandate of the Working Group on Welfare Reform, Family Support and Independence

Contents | Page

1. Forms of Rental Housing Assistance

HUD has three basic types of programs to assist low-income households to obtain decent, safe, and sanitary housing: public housing, Section 8 tenant-based assistance, and Section 8 project-based assistance.

Public housing consists of projects owned and usually managed by local government public housing agencies (PHAs). Units in these projects are generally rented to families with Federal preferences (rents greater than 50 percent of income, involuntarily displaced, severely inadequate unit). Tenant contributions to rent are set at 30 percent of countable income. HUD guarantees to pay the PHA the difference between a formula-based assessment of its cost requirements and its rental income. 1.3 million households live in public housing.

Section 8 tenant-based assistance (certificates and vouchers) subsidizes the rents of low income families who live in privately owned units, with preferential targeting to Federal preference holders. The housing may be multifamily, single family, or mobile home. A family may choose to rent "in place" (where they live already) or move to another unit, but the unit must pass annual inspections against minimum housing quality standards. HUD sets a Fair Market Rent (FMR) for the area from data on recent moves by renters. Owners of units renting to voucher holders receive the difference between the FMR and 30 percent of the household's countable income from the PHA. Owners of units renting to certificate holders usually may not charge more than the FMR; they receive in subsidy the difference between actual rent and 30 percent of household countable income. About 1.1 million households benefit from tenant-based assistance.

About 1.7 million households live in privately owned multifamily housing whose owners receive Section 8 and other project-based assistance. These projects were built over several decades with various forms of Federal incentives. HUD negotiated the reservation of certain units for low-income households within each of these projects, either prior to construction or after the project became financially or physically troubled. The owner's subsidy is the difference between a HUD-determined rent (not necessarily the FMR) and 30 percent of household income.

These programs are not entitlements. If more low-income households seek assistance than there are units available, assistance is allocated by length of time on a waiting list, subject to Federal and local preferences. Also, in the public housing and Section 8 project-based programs, potential tenants are subject to the screening procedure of the PHA or private owner. In the Section 8 tenant-based program the tenant must find an adequate unit whose owner agrees to rent to that tenant.

Since 30 percent of income goes for rent, a 30 percent tax is in place on any increase in earnings.

2. Characteristics of Non-Elderly Assisted Households, 1989

Source: Characteristics of HUD-Assisted Renters and Their Units in 1989 (Based on American Housing Survey of 1989 and Follow-On Study)

Incomes

The median reported income of public housing resident households in 1989 was $6,571; the number would be slightly lower if elderly households were excluded. Median reported income of voucher/certificate households was $7,060 (which would be slightly higher without the elderly). Median reported income of households receiving Section 8 project-based assistance was $8,074, which again would be slightly higher with the elderly excluded.

Percentages of non-elderly households reporting below-poverty incomes were as follows:

Incomes as % of poverty line	Public housing	Section 8 tenant-based	Section 8 project-based
Below 50	27.5%	30.3%	19.2%
50-99	37.5	36.2	28.4

Income Source:

Wages constituted the majority of reported income for 35.1% of non-elderly public housing residents, 43 percent of Section 8 tenant-based households, and 58.7% of Section 8 project-based households.

Means-tested transfers are an important source of income for assisted households. 58.4% of non-elderly public housing households reported receipt of AFDC or SSI in the past 12 months. The corresponding figures for Section 8 tenant based and project-based households are 54.9% and 28.9%, respectively.

Food stamp receipt was reported by 61% of non-elderly public housing households, 63.1% of non-elderly Section 8 tenant-based households, and 36.3% of non-elderly Section 8 project-based households.

As with all self-reported income figures, these should be used with caution. For the nation as a whole, only about two-thirds of those who would be expected to report AFDC receipt in the past 12 months actually report it to the AHS interviewers.

Education

Percentages of non-elderly household heads completing given levels of schooling are shown in the table below, by form of housing assistance. Columns may not add to 100 percent because of rounding.

Years completed	Public housing	Section 8 tenant-based	Section 8 project-based
8 or less	18.4%	11.7%	6.8%
9-11	28.5	25.1	20.6
12	32.7	43.0	45.0
Beyond High School	20.4	20.5	27.6

Assets

Of non-elderly public housing residents, 83.8 percent report no savings or investments. The corresponding figures are 81.9 percent and 66.5 percent for Section 8 tenant-based and project-based assisted non-elderly households, respectively.

3. <u>Characteristics of Public Housing Residents, 1992</u>

Total households 1.3 million, of whom:

452,000 elderly
416,000 single parent with child(ren)
150,000 two or more adults w/child(ren)
140,000 handicapped/disabled
70,000 two or more adults w/o children
74,000 other

Of households with children:

	single parent	2+ adults
Female head	97%	58%
Number in household	3.3	4.7
Black	65%	42%
Hispanic	13%	28%
Non-hispanic white	20%	24%
Age of head	32	38
Welfare* major source of income	59%	33%
Wages major source of income	26%	49%
Avg. income	$6146	$8740

Source: Multifamily Tenant Characteristics System, November 1992

*In principle this could be either AFDC or SSI, but for the great majority it will be AFDC.

4. AFDC Families by Type of Shelter Arrangement, FY 1989

Total: 3.8 million

In public housing: 9.6% (365,000)
HUD or other rent subsidy: 13.9% (528,000)
Owner-occupied: 4.7%
Unsubsidized private rental: 62.9%
Group Quarters: 1.6%
Rents Free: 6.5%
Unknown: 0.7%

Source: Characteristics and Financial Circumstances of AFDC Recipients, FY 1989, Department of Health and Human Services, Family Support Administration, Office of Family Assistance

Note: This is the most official tabulation of the overlap between housing assistance and AFDC, but the proportion of AFDC recipients receiving housing assistance is probably higher than stated. State Quality Control program officials probably rely on self-report by recipients for this item, and the Section 8 programs are not accurately reported in surveys. HUD does not have an administrative source of data on the AFDC/Section 8 overlap in place.

5. Housing Problems of Very-Low-Income Renters with Children

Absolute numbers are in thousands of households; Columns (3) through (6) sum to column (2), except for rounding

(1) Category	(2) Total	(3) Having Worst-Case Needs[1]	(4) Other Housing Problems[3]	(5) No Housing Problems	(6) Assisted
Total	5,867	2,117	1,531	530	1,688
Percent	100.0	36.1	26.1	9.0	28.8
Female Head, No Spouse	3,626	1,380	651	223	1,371
Percent	100.0	38.1	18.0	6.2	37.8
Receive Welfare Income[2]	2,388	908	352	112	1,016
Percent	100.0	38.0	14.7	4.7	42.5
Three or More Children	1,842	635	573	107	528
Percent	100.0	34.5	31.1	5.8	28.6

[1]Very low-income renters have worst-case needs if they receive no housing assistance and have: (1) excess rent burden (greater than 50 percent of income) or (2) a severely inadequate unit. The great majority of households in this category have only excess rent burden.

[2]Usually AFDC, although the question includes SSI. Welfare income is under-reported.

[3]Very low-income renters have other housing problems if they receive no housing assistance and have: (1) rent burden between 30 and 50 percent of income; (2) a moderately inadequate unit; or (3) crowded quarters (more than one person per room).

Source: American Housing Survey 1989.

6. Estimated Impact of Housing Assistance on AFDC Households

Source: Regressions from 1989 American Housing Survey and Follow-On Study conducted by Sandra Newman and Ann Schnare, unpublished paper, 1993

Dependent Variable	Public Housing	Section 8 Tenant-Based	Section 8 Project-Based
Physical Defects	-41%*	-44%*	-43%*
Housing Cost to Income Ratio	-53%*	-45%*	-34%*
Persons per Room	-12%*	-10%*	-15%*
Subjective Neighborhood Satisfaction (Scale of 1-10)	-16%*	+ 3%	- 8%
Crime Problem	+21%*	+12%	+ 2%

*Significant at the .01 level.

* The basis for comparison in the table above is an otherwise similar household receiving welfare but not housing assistance.

* Thus, controlling for other factors, a welfare household will live in a structure with 41 percent fewer physical defects if admitted to public housing than if receiving no housing assistance. The family will have a rent burden 53 percent lower, and will have 12 percent less persons per room, but will have 16 percent less "satisfaction" with the neighborhood and will be 21 percent more likely to complain of a crime problem in the neighborhood, than if it did not live in public housing.

7. Section 8 Subsidies at Different Income Levels in Four Cities, 1992

	Columbus, OH.	Kansas City, MO.	Seattle, WA.	Denver, CO.
Annual Fair Market Rent (2 Bdrm.,includes utilities)	$5,472	$5,412	$6,492	$6,072
AFDC Maximum Grant (3 persons), annual	$4,008	$3,594	$6,372	$4,272
Amount of Section 8 to Maximum Grant recipient	$4,270	$4,334	$4,460	$4,790
Amount of Section 8 at $8,000 income	$3,072	$3,012	$4,092	$3,672
Amount of Section 8 subsidy at $11,570 income (poverty line for 3 persons)	$2,001	$1,941	$3,021	$2,601
Amount of Section 8 subsidy at $16,000	$672	$612	$1,692	$1,272
50% of Area Median Income (Defines Very Low Income)	$17,450	$19,200	$19,750	$19,450
Phase-out level for Section 8	$18,240	$18,040	$21,640	$20,240

Source: Mark Shroder and Jill Khadduri, unpublished, 1992.

8. Programs Linking Housing Assistance with Family Independence

The two most complex programs linking housing assistance with the economic progress of the household are Family Self-Sufficiency (FSS) and Family Investment Centers (FIC). They are described further in the side-by-side table on page 12. Other related programs are:

· Public Housing Early Childhood Development Grants, a competitive program funded for $5 million in FY 1993. It provides funds for child care and child development services in selected public housing projects. It was first enacted in 1983.

Family Unification, a set-aside of Section 8 tenant-based assistance awarded competitively. Child welfare agencies and PHAs in selected cities must use the assistance to help families avoid the need for foster care placement of children. It was first enacted in 1990, and is funded for FY 1993 at $75 million. The first awards were made last year.

Section 8 Home Ownership was first enacted in 1992, and does not require an appropriation. The use of Section 8 funds to subsidize mortgage payments on a unit owned by the assisted family, rather than by a landlord, is permitted under this program. The PHA may make this option available to FSS participants at its discretion, and must make it available to families receiving Section 8 who have earnings at least two times greater than the Fair Market Rent. The option will be most useful to families in rural areas and very depressed urban communities. The regulations for the home ownership option are being drafted.

Step-Up is an administrative mechanism for expedited approval of pre-apprenticeship programs for young adults employed by PHAs. These programs otherwise encounter Fair Labor Standards difficulties. The first Step-Up program, in Chicago, began in 1992. No legislative authorization or appropriation is required.

Public Housing Comprehensive Transition Demonstration, the Charlotte Demonstration, was authorized in 1988. It eliminates the marginal taxes in the AFDC, Food Stamp, and public housing programs for the residents of selected public housing projects. The residents must in turn comply with a self-sufficiency contract which is embedded in the lease, so that violation of the contract is grounds for eviction. The demonstration is ongoing. Implementation to scale would require an appropriation, but for the limited scale of this demonstration, one project in Charlotte, N.C., no appropriation has been required.

9. Family Self-Sufficiency and Family Investment Centers: A Side-by-Side Comparison

Program Feature	FSS	FIC
Program Enacted	1990	1990
Program Operator	PHA	PHA
Program voluntary	No for PHA Minimum program size is the number of new units of Section 8 & public housing development	Yes for PHA
	Yes for residents	Yes for residents
Program participants	Public housing residents and Sec. 8 participants	Public housing residents
Contract of Participation	Yes, an individualized agreement is signed with each head of family, specifying family obligations and services the FSS program will provide	No
Program Coordinating Committee	Yes, representatives from public and private organizations in the community with access to resources needed by the program help design and implement the FSS program	No
Action plan	Yes	No

Rent protection	Yes, while in program increases in earned income do not increase rent until adjusted income equals 50 percent of median; any amounts that would have gone to increased rent are deposited in an escrow account. Between 50 and 80 percent of median, the amount deposited in escrow does not increase as income goes up. At 80 percent of median, the protection is ended	Yes, while in program and for up to 18 months after ending program and entering first job earnings and benefits can't be included in income for rent calculation purposes
Escrow account	Yes	No
Funding provided	Operating costs: Additional operating subsidy to cover cost of program operation may be paid for public housing FSS programs; Sec. 8 programs must pay cost out of Section 8 fee. Operating subsidy can be paid for a unit used as an FSS site	Operating costs: Can pay for cost of service coordinator Facility renovation: Can pay for renovation, etc. of existing units, common space, or facilities near public housing property to accomodate provision of services Service costs: can pay up to 15 percent of cost of services if funds aren't available elsewhere
Comprehensive program	Yes, individually tailored to each family	Not required

FY 1993 Appropriation	Not required	$25 million

The American Institute for Learning

Model Comprehensive Education for Employment
422 Congress Avenue • Austin, Texas 78701
Administration: (512) 472-3395 • Fax (512) 472-1189
Programs: (512) 472-8220 • Fax (512) 480-9410

June 8, 1993

Lucia Wyman
U. S. Department of the Interior
1849 C Street, N.W.
Washington, D. C. 20240

Dear Ms. Wyman:

The Governor's office called today. Governor Richards' Energy Office just funded the Greenbuilders Project for three houses in the coming year -- low cost, high energy performance homes in partnership with us, Habitat for Humanity and Greenbuilders.

This kicks off the national model Greenbuilders Youth At-Risk Program that we've been discussing with you. You have, no doubt, seen the description of the Greenbuilders Project in your briefing book. We are also very enthusiastic about the National Parks Apprenticeship Program. So, we are rolling! Now we are ready to apply to federal agencies for the Greenbuilders Project. Specific ideas from you of who we must talk to in order to get these components of the one-stop initiative going would be deeply appreciated.

Thanks again for sending our materials to the West Wing and connecting what's happening on the street with what's happening in the policy writing.

My very best,

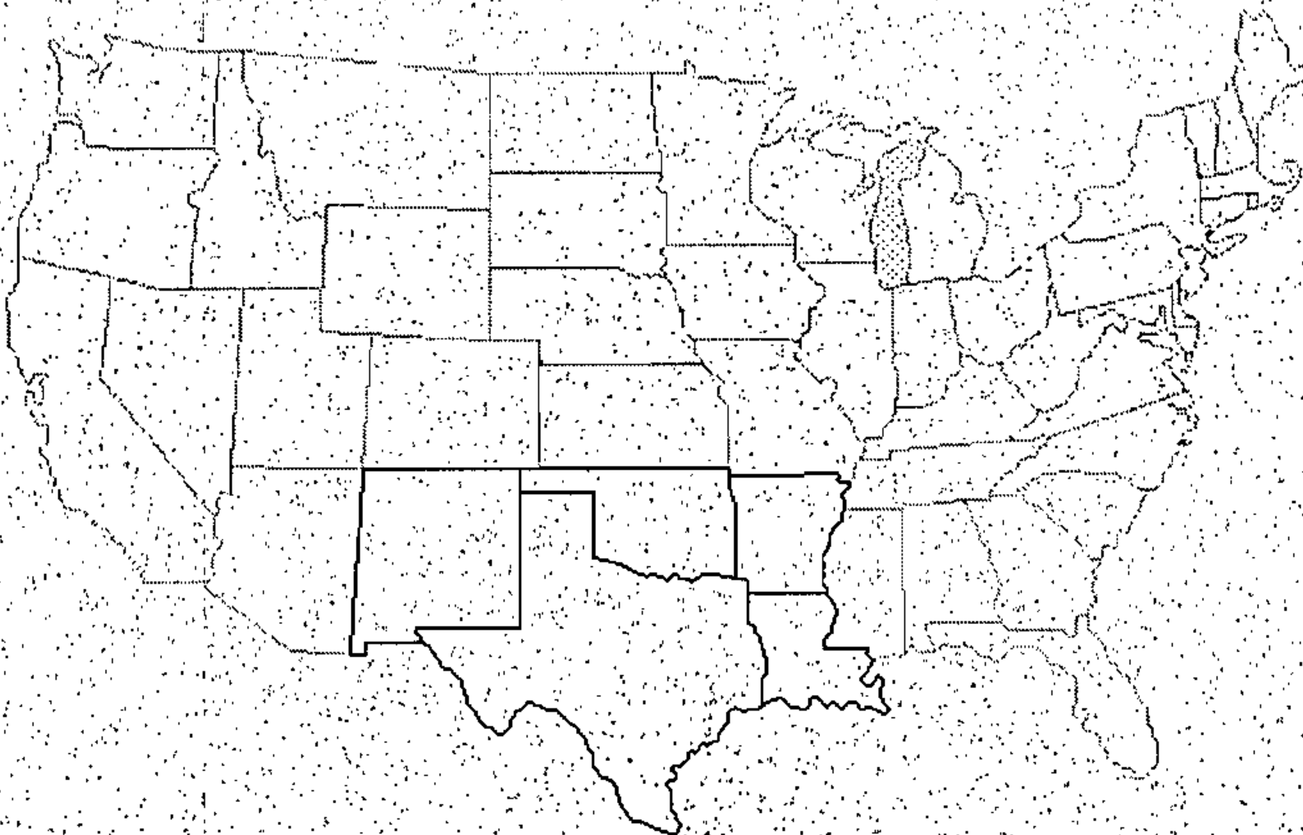
Richard

Richard H. Halpin
Chief Executive Officer/Founder

RHH/amd

SOUTHWEST INTERAGENCY INITIATIVE

NATIONAL DEMONSTRATION MODEL PHASE I



AMERICAN INSTITUTE FOR LEARNING
CREATIVE RAPID LEARNING CENTER
422 Congress Ave., Austin, TX 78701
(512) 472-3395 • FAX (512) 472-1189
Richard H. Halpin, Founder/CEO

VALES MANAGEMENT, INC.
MIRABEAU FAMILY LEARNING CENTER
3852 Cambronne St., New Orleans, LA 70118
(504) 488-6286 • FAX (504) 488-6290
Michael R. Vales, President

This proposal printed on paper made with recycled fibers.

The American Institute for Learning

Model Comprehensive Education for Employment Programs
422 Congress Avenue • Austin, Texas 78701
Programs: (512) 472-8220 • FAX (512) 480-9410
Administration: (512) 472-3395• FAX (512) 472-1189

In response to President Clinton's request for Federal Agencies to work together,

to work smarter rather than harder, we propose the following high performance interagency initiative.

The agenda is to create a healthy nation made of healthy families by incorporating full-scale education , essential housing and other support services, innovative job training, child development, economic development, community planning, safe and healthy neighborhoods and whatever else it takes to empower the American Family. Together we must.

It has been a privilege to collaborate with Mirabeau Family Learning Center, a progressive human investment opportunity and a brightly shinning star in the state of Louisiana.

Richard H. Halpin
Founder/CEO

VALES MANAGEMENT, INCORPORATED

POST OFFICE BOX 9387 • METAIRIE, LOUISIANA 7005[illegible]
TELEPHONE (504) 488-62[illegible]

Dear Colleagues:

It is not often that one is privileged to be invited to present a real solution to the problems which plague the unemployed, under employed and poverty stricken sector of our community. I thank each of you and your offices for this opportunity. Your presence here for our presentation and your work with us leading up to this meeting gives us great hope for the future.

It has become clear that cooperation and collaboration of Federal Agencies and the support and commitment of our elected representatives in the House of Representatives and Senate are vital to the success of our coordinated, comprehensive family-centered, housing linked service model. Now is the time to implement a full-scale interagency initiative to address age old problems. The programs of the past are not working. Resources are becoming scarce. Yet, the needs of the community have grown. It is time now to successfully reinvent the concept and delivery of housing and human services. It is time now to ensure that quality, culturally sensitive, grass roots, programs are available to build the self-esteem of a disenfranchised sector of our community which will lead to self sufficiency.

We are asking for your support of the following high performance initiative. As the President of Mirabeau Family Learning Center, I am proud to present our programs and our goals to you. As the President of Vales Management, Inc. I am honored to have been working with The American Institute for Learning for these many years to design the Comprehensive Service Model. In each of these capacities, and as a concerned citizen, I offer you my pledge that I will work smarter and harder to earn your confidence and continued support.

Michael R. Vales
President, Vales Management, Inc.
President and Founder, Mirabeau Family Learning Center, Inc.

"Together We Must"

Southwest Regional Interagency Initiative
Prepared by: American Institute for Learning and Vales Management, Inc.
Executive Summary

"If you always do what you've always done, you'll always get what you've always got."

Given the nature of long-term poverty, the present system of fragmented, uncoordinated delivery of services cannot meet the needs of the long-term poor. Instead, services must be comprehensive and coordinated in order to assure that individuals can be assisted to self-sufficiency. A functional interagency partnership of federal agencies is needed to facilitate the replicability of a Comprehensive Service Model across the country. The American Institution for Learning and Vales Management, Inc. proposes that their respective organizations become national demonstration sites to assure replication of the Comprehensive Service Model on a regional and then a national basis.

Federal agencies have proven themselves effective in supporting individuals or families who rely on public assistance for short periods of time. Often, these individuals have suffered a temporary set back due to loss of employment, divorce, separation, disability or death of the primary breadwinner. If these individuals possess the skills and experience which make a return to self-sufficiency possible, then their need for assistance will be short-lived. These families can often be effectively assisted through food stamp programs, job training or retraining programs, bank loans, and unemployment compensation until they are able to secure other sources of long-term income. These families are also more likely to possess the ability and wherewithal to access the available assistance programs.

Long-term reliance on public assistance presents a different set of needs and problems. The multiplicity of problems faced by individuals and families on long-term public assistance combine in an interconnected and cumulative fashion to produce a cycle of dependency and learned helplessness. It is this debilitating cycle passed from one generation to the next that creates seemingly insurmountable odds against achieving self-sufficiency.

Thus, two of the most challenging questions faced by local, state, and federal governments are:

(1) How to help families reach self-sufficiency.
(2) What model is best suited to provide the solutions so desperately needed by this sector of our community?

The present system of fragmented, uncoordinated delivery of services to meet the needs of the long-term dependent through distinct agencies is both inefficient and ineffective. The American Institute for Learning (AIL) and Vales Management, Inc.

(VMI) have worked together closely now for over six years to develop the Comprehensive Service Model. The model adopts a coordinated, integrated, comprehensive family-centered, housing-based approach to react to the cumulative effects of the existing barriers to self-sufficiency for at-risk families and individuals.

The Comprehensive Services Model takes as its cornerstone the premise that we are dealing with whole people and whole families with connected needs each compounding the severity of the other. This model also acknowledges and accepts the responsibility of being accountable to the stakeholders, both public and private, the participants in the program and the community which is being served. The model results in a maximization of public and private resources and makes delivery of services cost-efficient, affordable and a viable option for housing and service providers.

In order for a comprehensive, housing-linked model to succeed, however, AIL and VMI count on the support and commitment of a wide spectrum of governmental agencies, the support of the local communities, and dedication of a highly-trained, specialized staff. AIL and VMI have brought their respective expertise together to provide the foundation for this program.

Specifically, the American Institute for Learning has spent the last thirteen years working in partnership with foundations, businesses, the City of Austin, Travis County and the Austin/Travis County Private Industry Council to restructure human service delivery and create and implement model programs to serve at-risk individuals and families in Austin, Texas. AIL's programs are culturally-sensitive programs and provide a comprehensive set of services to meet the unique needs of the individual and family.

The American Institute for Learning offers (1) accelerated education, (2) human services such as counseling, child development, housing and health services, and (3) employment skills such as job readiness training and specific job skills training. AIL serves a diverse population including school dropouts, welfare mothers, gang members, at-risk in-school youth and adults who cannot read. The programs are accountable, empowering and effective with a proven 80% success rate. Over the course of these thirteen years, AIL has continually refined the model adding more services, collaborating with other providers, and building a comprehensive one-stop service model.

Vales Management, Inc. has concentrated on working with the housing components of the Comprehensive Service Model. Specifically, VMI, working in partnership with HUD, the City of New Orleans Department of Housing and Urban Affairs, foundations, property managers, and owners, has been successful in developing safe, affordable and clean housing by rehabilitating distressed properties, offering on-site management services and establishing on-site Learning Centers which implement the Comprehensive Service Model. This on-hands involvement with the housing development has promoted resident pride and a strong sense of community and self-esteem. Thus, through two large scale projects involving approximately 250 rental units, VMI has restored neighborhoods, provided housing and empowered residents to take an active role in the community and move off the welfare rolls. VMI has begun its implementation of a Comprehensive Service Model at the Mirabeau Apartments through a nonprofit corporation, the Mirabeau Family Learning Center, Inc. The Learning Center, which is located in the apartment complex, will be operational in its permanent site by August, 1993, but has already begun to offer services in a temporary site located within the apartment complex.

The Comprehensive Service Model can be replicated, but will require a substantial investment of time and resources of the replicating site to coordinate the delivery of services with each individual service delivery agency. A more effective and efficient means of providing a comprehensive seamless delivery of services can be achieved by means of a functional interagency partnership of the appropriate federal agencies needed to make a comprehensive delivery of services possible.

The Department of Housing and Urban Development is needed to provide clean, safe, and affordable housing through its housing rehabilitation and home ownership programs. The Department of Labor is key to creating job opportunities, conducting employment and job-readiness training to prepare the labor market for an increasingly competitive global market. The Department of Education is equally as important in providing development; these services can be linked with programs from the Department of Energy which are designed to enhance the science and math skills of this country's youth. The Department of Education can also play an instrumental role in breaking the cycle of poverty and illiteracy by providing high quality early childhood programs that can be linked with adult education programs for a family literacy approach to learning. The Department of Health and Human Services can provide the necessary health services, social services and child care required to make employment training and education a viable option for many individuals and families. Finally, the Comptroller of the Currency ensures that capital is made available for the development of entrepreneurship and expansion of small business in the target communities.

This interagency approach will maximize the effectiveness of funds and resources already available and provide a new, more efficient mechanism for redesigning the methods by which long-term reliance on public assistance is addressed.

Initially, we propose a regional initiative which will begin in New Orleans and Austin, then expand to other cities in Louisiana and Texas. The initiative will ultimately include Arkansas, New Mexico, and Oklahoma. Expanding by region will ensure that technical assistance, trouble shooting, program innovation and customization of the model for each area will be readily available and conducted on a cost-efficient scale. The large and diverse population of economically and educationally disadvantaged families represented in these states will challenge the model to meet a broad range of needs thereby testing its adaptability.

Based on this national demonstration model by region, the immediate priorities of the Comprehensive Service Model are:

I To establish a functional interagency partnership in which AIL and VMI will work closely with the various federal agencies to create a seamless system of service delivery that will meet the comprehensive needs of our most at-risk families and create opportunities for them to become self-sufficient in a coordinated and cumulative manner.

II To secure $1.5 million to complete the building for a Regional One-Stop Comprehensive Service Model in Austin, Texas moving families and individuals from dependency to self-sufficiency.

III To secure $500,000 for the expansion of services at the Mirabeau Family Learning Center, Inc. to include a child and youth development center, specific skills training and job placement for adults.

IV To establish regional Comprehensive Service Models in cities within the designated area. It is anticipated that the first replication and expansion will occur in the New Orleans area in order to take advantage of the success and experience of the Mirabeau Family Learning Center. Expansion will also include involvement of local and state agencies, private stakeholders and other members of the community in order to build wide-based community support for the program.

V To expand the model nationally.

Comprehensive Service Model: Developmental Plan

A Southwest Interagency Initiative

STAGE 5: National implementation

- Continue forming collaborations.
- Continue to assess outcomes and refine model.
- Replicate model nationally.

STAGE 4: Regional implementation

- Adapt model to fit regional needs.
- Expand regional collaborations to include additional sites.
- Continue developing nation-wide collaborations.
- Implement model throughout region.
- Continue to assess outcomes and refine model.

STAGE 3: Fully implement a community-wide, family-centered service model

- Erect an adaptable, large-scale working model.
- Expand housing programs to meet needs of at-risk families.
- Increase support services for all family members.
- Institute Certificate of Mastery.
- Increase services for children.
- Expand employment training and job opportunities.
- Develop formal collaborative structures for replication.
- Develop nation-wide collaborations.
- Assess outcomes and refine model to fit changing needs.
- Prepare for replication.

STAGE 2: Evolve into a one-stop service model

- Provide educational opportunities.
- Expand and integrate support services.
- Expand employment opportunities.
- Housing.
- Intensify focus on needs of the family.
- Redefine human service delivery.
- Continue to build collaborations state-wide and region-wide.
- Assess outcomes and refine model to fit changing needs.

STAGE 1: Development of basic service model

- Identify problem, design and implement solutions.
- Develop accelerated basic education model.
- Provide basic support services.
- Teach job-readiness training and provide job search assistance.
- Create culturally-sensitive and respectful environment.
- Build community and public-private sector collaborations.
- Assess outcomes and refine model to fit changing needs.

Comprehensive Service Model: Developmental Summary
Southwest Interagency Initiative

Stage One: Development of basic service model. In this stage obstacles to family self-sufficiency were identified and initial solutions designed and implemented with consistent cultural and ethnic sensitivity. Collaborations began on the local level. In this stage, the American Institute for Learning (AIL) developed the Creative Rapid Learning Center helping school dropouts improve their basic educational and job skills thereby becoming employable. Vales Management, Inc. (VMI) created a model housing program for low-income residents.

Stage Two: Evolution into a one-stop service model. In this stage, AIL and VMI began collaborating on the design of the one-stop model. VMI enhanced its model housing program by providing an on-site learning center with job readiness training to residents. At AIL, services were expanded to begin serving all family members at one-site under one roof. These expanded services included: support services such as counseling, on-site health services, child development and transitional housing; specific job skill training, apprenticeships and entrepreneurial training; and educational opportunities for 0 (illiterates) through G.E.D. and college-preparatory learners.

Stage Three: Fully implement a community-wide, family-centered, comprehensive service model. In this stage, community and national resources are brought together to implement a working, fully-replicable, large-scale, national demonstration model providing at-risk families and individuals with the services they need to move to self-sufficiency. This adaptable comprehensive model is replicated across the region and then across the country. Expanded services for additional family members such as children and in-school youths and strong housing and community integration components are integral. A Certificate of Mastery improving educational and employment opportunities for learners and ensuring the private sector of prepared, skilled workers is initiated. With the purchase of the site for the national demonstration model and expanded services for all family members, AIL has entered Stage Three. By adding additional services such as child care and job placement to its model, VMI is also focusing on Stage Three.

Stage Four: Regional implementation. Having gone to scale and proven successful, the model is replicated across the region demonstrating its adaptability to area and population. It is planned that the model be fully replicated in New Orleans, then other cities in Louisiana, Texas and the regional states first phase. Fort Worth, Galveston and Albuquerque have requested consideration for next phase replication. The model is never static, it is always being assessed and refined to meet changing needs.

Stage Five: National implementation. Having replicated throughout the region, the model expands nationally, adapting itself to meet the specific needs of each area.

The blueprint for this model has been developed through the experiences of the two agencies, The American Institute for Learning and Vales Management, Inc., and through the wisdom of those they serve and other professionals studying and assisting at-risk American families and individuals. **Particular credit is given to the authors and supporters of Together We Can: A Guide for Crafting a Profamily System of Education and Human Services.**