

# Focus on: Urban America

## Introduction

Henry G. Cisneros<sup>†</sup>

More than a quarter of a century ago, the National Advisory Commission on Civil Disorders warned that “[o]ur Nation is moving toward two societies, one black, one white—separate and unequal.” Today, despite decades of effort and some genuine progress, racial separation and inequality have grown, not diminished. Nearly fifteen percent of America’s population, or more than thirty-seven million Americans, live in poverty—the highest level since 1965. The figures are even worse for young people, our country’s future. More than one in five children is born into poverty—two in three Hispanic children and nearly one out of every two African-American children. More than seventy-five percent of this growing poverty population is concentrated in central cities and inner ring suburbs—living, not coincidentally, in the oldest and most dilapidated housing. The increasing urban isolation of a majority of the poor and many minorities is made worse by other rising poverty-related problems such as declining health, inadequate schools, and violent crime. Consider these statistics:

- African-Americans and Hispanic-Americans are sixty percent more likely to be denied a home mortgage loan than white borrowers of comparable income and occupation.
- The index of segregation in most American cities is getting worse, not better. Experts call it “hypersegregation.” The level of concentrated poverty in many urban neighborhoods has increased dramatically.
- Ten million Americans lack decent, affordable housing, seven million were homeless during the past decade, and homeownership declined during the 1980s by two million households.
- A child dies from gunshot wounds every two hours.
- The total cost of crime is estimated to be somewhere between \$400-700 billion a year.
- Thirty-nine million Americans, many of whom live in urban areas, lack basic health insurance.
- Between 1980 and 1990, manufacturing employment declined nearly eleven percent in America’s urban centers.

Of course, there is also some good news. Total jobs increased by two million in 1993, almost all in the private sector—more job growth than in the previous four years. Another two million jobs will be created in 1994. The

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<sup>†</sup> Secretary, United States Department of Housing and Urban Development

national homeownership rate also grew significantly in 1993—an increase of 400,000 new homeowners—after a decade of stagnation and decline. The rate of homeownership is expected to rise again in 1994. Yet jobs, prosperity, and homes are not reaching down to many of the people trapped in poverty.

These are serious urban policy challenges facing our nation, and not even affluent Americans can escape such concerns. Minorities of any socioeconomic status may still face discrimination in housing, employment, or mortgage lending. Many white suburbanites, though residing in essentially segregated and well-protected communities, are still tied to urban centers for their work, shopping, education, and enjoyment of cultural or recreational amenities. Like most city dwellers, they are exposed to the painful faces of homeless people and the fear of random violence.

Even those who live and work in the outer reaches of metropolitan areas are nevertheless deeply affected by the growing urban distress of people and communities. Indeed, the economic health of our nation depends on meeting the fundamental challenge of urban decay. More than ninety percent of our nation's employment growth is now taking place in metropolitan areas. Many of the new jobs are being created at the urban edges rather than in the central cities. Yet, a large number of suburban employers face shortages of trained personnel, particularly for low-paid entry-level positions. Many people who want these jobs simply cannot gain access to them—because they cannot afford to live in the nearby communities due to high housing costs; because they cannot afford to commute from the inner city due to high transportation costs and long distances of daily travel into unfamiliar territory; and because they face intimidation, lack of information, and racial and ethnic discrimination in searching for jobs and homes.

In a closely related problem that deeply affects America's economic growth prospects, many potential jobseekers, both in cities and suburbs, lack adequate education and work skills or experience. Millions of people now exist primarily outside the mainstream economy, living lives of unemployment and despair. Many are minorities; all of them suffer the difficulties of poverty and the lack of opportunities and responsibilities for dignified, full-time, legitimate, paid work. Losing the benefit of their productive labor is costly to every American, rich and poor alike. It makes our national and metropolitan economies less competitive, and it makes our increasingly diverse society of immigrants and young ethnics more volatile. Our special challenge is to bring these people into the mainstream of American life, both by stimulating community reinvestment to create safe, healthy and economically viable neighborhoods where they now live, and by generating real job and housing opportunities that provide these low-income residents with the free choice to live and work wherever they want—throughout the metropolitan area and beyond.

Robert Rubin, who heads the President's National Economic Council,

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recently reported that these metropolitan economic problems—poverty, crime, poor schools, racial isolation, inadequate health care, welfare dependency, teen pregnancy, joblessness, and lack of skills and discipline among a large group of minority youth cut off from the work force—are a central concern of America’s business leaders. Similarly, Federal Reserve Board Chairman Alan Greenspan has stated that racial discrimination is a major factor in reducing economic growth for the nation, particularly in lowering potential housing production and residential sales opportunities and property values. Vice President Al Gore emphasizes that rebuilding our communities is an economic responsibility and urgent necessity we all must share:

While the greatest battles of the decades ahead are likely to be economic, the greatest challenge to our economic strength is certainly not competition from the Pacific Rim or Europe. No; the greatest challenge to our economic strength is here at home—where the decaying cores of too many inner cities and the poverty stricken heartlands of rural America threaten to erode our dynamic economies from within. That is what we intend to change. I believe we can do it.

How will we meet this great challenge? Fortunately, President Clinton’s commitment to Putting People First represents a serious effort by his Administration to improve the quality of life for every American. The President has developed a comprehensive Community Investment Strategy—a partnership-oriented urban policy with many key federal incentives and programs to mobilize and leverage private capital and state and local government resources. The purpose is to promote individual opportunity and strengthen metropolitan economies through two strategies: (1) by rebuilding housing and infrastructure and creating private jobs in low-income neighborhoods; (2) by investing in education, training, health care and family support to enable disadvantaged youth and adults to move into the work world and take full responsibility for getting a job, starting a business, finding and maintaining adequate housing, and fully utilizing supportive services.

The fundamental challenge is to increase productivity and economic growth for every American, and the first solution is to expand opportunities for productive work. As the President has said:

I do not believe we can repair the basic fabric of society until people who are willing to work have work. Work organizes life. It gives structure and discipline to life. It gives a role model to children . . . We cannot . . . repair the American community and restore the American family until we provide the structure, the value, the discipline and the reward that work gives.

Rebuilding communities, strengthening metropolitan economies, and expanding productive employment opportunities will require federal programs that work. The President’s Community Investment Strategy starts with the most

effective proven winners and best results-oriented concepts identified by the National Performance Review to reinvent government. The Strategy includes full funding for Head Start, childhood immunization, and WIC, the nutrition program for Women, Infants and Children. It draws upon the best ideas in employment training and jobs for youth and adults, including the Job Corps, School-to-Work Transitions, the Reemployment Act, Youthbuild, and the Youth Employment Skills proposal in the Crime Bill. It strengthens education and community service through Goals 2000 and the new National Service program, AmeriCorps.

The President's Strategy increases investment for affordable housing, jobs, small businesses, and community development through the Low Income Housing Tax Credit, Mortgage Revenue Bonds, Empowerment Zones and Enterprise Communities, a strengthened Community Reinvestment Act, expanded Community Development Financial Institutions, the Small Business Administration's One Stop Capital Shops, the National Community Development Initiative, and targeted goals for the Government-Sponsored Enterprises (Fannie Mae, Freddie Mac, and the Federal Home Loan Bank System). The strategy promotes investment in new technology, infrastructure, electronic communications, transportation, and metropolitan planning. It encourages family self-sufficiency, community mentoring, supportive services, community policing, and fighting crime, drugs, and violence through a variety of coordinated initiatives. The President's plan cuts through bureaucracy and red tape to encourage interagency coordination and local flexibility through the Community Enterprise Board. Finally, it fights poverty and rewards work through health care reform and welfare reform. The President explains his entire Community Investment Strategy in his 1994 National Urban Policy Report to the Congress.

President Clinton's Community Investment Strategy, including HUD's many new initiatives, fundamentally builds upon grassroots, bottom-up solutions and community-based partnerships, because they can and do work more effectively than big government and bureaucracy. In successful grassroots partnerships, private and public resources are combined by skilled local leaders to improve economic opportunities, the quality of family life, and personal safety for people and communities. Here are just a few examples:

- In San Jose, California, the Hispanic community-based Center for Employment Training (CET) was founded twenty-five years ago with the motto "Si se puede" ("It can be done"). CET has successfully trained and placed more than 53,000 low-income men and women in productive employment. It now operates twenty-five centers in California, Arizona, and Nevada, and is expanding to ten cities on the east coast and in the midwest. CET's comprehensive approach works by connecting people to real jobs in growing industries and by focusing on personal and family responsibility along with education and technical skills.

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■ In Newark, New Jersey, the New Community Corporation emerged from the ashes of the 1967 riots to rebuild the spirit and fabric of life in the Central Ward. New Community has built or rehabilitated 2500 housing units for 6000 residents. It has also brought commercial business back into the neighborhood, including a major Pathmark supermarket that it partly owns. Altogether, New Community runs a variety of businesses providing 1200 jobs. It operates job training services for area residents and major employers, placing one thousand low-income people every year in full-time jobs. New Community's successful revitalization efforts have helped bring back private investment in housing and business into central Newark.

■ In Baltimore, Maryland, a group called Community Building in Partnership is transforming the Sandtown-Winchester neighborhood by improving health care and education, creating jobs and businesses, removing abandoned housing, and building 300 affordable townhomes.

■ In Louisville, Kentucky, the Russell Partnership is transforming one of the nation's ten most impoverished neighborhoods into a beacon of hope and opportunity. The Partnership involves community residents working with city officials, the Louisville Housing Authority, the University of Louisville, corporations, foundations, and many other private sector investors in a successful effort to turn public and private rental housing into private homeownership for low-income residents, to create 400 new jobs, to cut the crime rate in half, to rebuild housing and community infrastructure, to establish a community development bank, and to attract millions of dollars in public and private investment.

■ In Chicago, Illinois, the Shorebank Corporation's community development bank has spent the past two decades growing in assets and profits and revitalizing the South Shore neighborhood with \$230 million in loans for home sales, housing rehabilitation, and small business expansion. Also in Chicago and the surrounding metropolitan area, "Gautreaux," the program that emerged from a longstanding court battle over racial segregation in public housing, has successfully enabled more than 4500 low-income families to move from inner city poverty to suburban communities where they have shifted from welfare to work and found better schools, safer streets, and racially integrated lives for their children. HUD has recently initiated two new national housing assistance programs called Moving to Opportunity and Choice in Residency, both based on the success of the Gautreaux model.

■ In Los Angeles, California, the SRO Housing Corporation has rehabilitated nearly 1300 units of single-room occupancy dwellings for formerly homeless people, and provides supportive services to move them from the streets to jobs and independent living.

■ In Atlanta, Georgia, a metropolitan coalition called the Atlanta Project is mobilizing large numbers of volunteers and private resources to rebuild and reinvest in twenty of the city's distressed neighborhoods by reviving the "can do" spirit of community problem solving and comprehensive planning, including working in partnership with the Atlanta Housing Authority to renovate part of a public housing development.

The Department of Housing and Urban Development in the past has been part of the problem rather than part of the solution. For example, as James Kushner points out in his article, the Department reinforced racial isolation through its FHA mortgage insurance programs for private housing, and by allowing local authorities to build and manage segregated public housing. Even where congressional action or presidential Executive Orders have changed official policies, HUD has frequently been slow to implement these changes in ways that really benefit low- and moderate-income people in most communities. Indeed, HUD often has been very slow to do most things, dragging its

feet on lawsuits and hiding behind paperwork and process instead of participating in community-problem solving with a commitment to improving performance.

The old HUD is rapidly being replaced by a new, reinvented HUD that is dedicated to helping, not hindering, communities and to producing real results, not more red tape. In our first year, we have already made many dramatic changes—streamlining our operations, reorganizing our field structure, redefining our mission, and reviving our program initiatives and sense of purpose. We guided two major pieces of legislation through Congress and launched many community-oriented activities. To build on this track record, we are launching a much more ambitious agenda to transform America's communities—breaking down the walls of isolation and poverty and replacing them with economic dynamism and the opportunity to choose decent housing, jobs, schools, transportation, and child care throughout metropolitan areas, free of any form of discrimination. Recently, I signed a Presidential Performance Agreement with President Clinton, committing HUD to specific goals, results, timetables, and numerical targets in six priority areas: reducing homelessness; turning around and replacing public housing; expanding and preserving affordable housing and homeownership; ensuring fair housing for all; empowering communities; and bringing excellence to management. These six priorities form the basis for all our work, including our newly introduced legislative proposal, the Housing Choice and Community Investment Act of 1994.

Working through partnerships with state and local government and the private sector; leveraging resources and attracting investment from pension funds, foundations, and a wide range of potential capital sources; empowering grassroots initiatives; strengthening the capacity of community-based organizations and institutions; enabling people to exercise real choices in their lives and make positive transitions to improve economic circumstances for themselves and their families; and encouraging individual responsibility and self-sufficiency—these are some of the approaches we are now taking at the new HUD.

Through our new approach, we are expanding partnerships to leverage billions of dollars in private sector loans and investments for housing and community development. We expect these funds to support individuals who take personal responsibility and move from crime to jobs, from welfare dependency to family self-sufficiency. In addition, we are eliminating federal regulations on local governments and housing authorities, offering new ways to promote homeownership both for middle-income first-time buyers and particularly for low-income renters who have never before had the opportunity to own a decent home. We are also putting together the tools to turn around the most distressed of our nation's public housing developments and make public housing once again a source of community pride and a stepping stone to good jobs, private homeownership, and a better future for low-income

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families.

I could go on for pages explaining our many exciting initiatives and programs, but I won't. What I will say is that they start with a common recognition that we are all in this together, what I call our "Interwoven Destinies." The future of our society is in peril if we cannot or will not forthrightly join hands and address the problems of poverty, homelessness, joblessness, isolation, discrimination, segregation, crime, drugs, gang violence, and more. Fortunately, thoughtful, caring people are searching for answers and working to solve these problems. The *Yale Law and Policy Review's* special issue on urban policy is a perfect example of why I am very hopeful about the future. First, it is impressive that so many law students have spent the year editing this excellent publication. Second, the articles themselves are important contributions to the critical debate about our nation's cities, and they reflect many of the issues we are grappling with in the Clinton Administration.

Lucy Williams addresses welfare reform, one of the high profile debates at the White House and in Congress this year. Mark Barnes and Carlos Ball analyze an aspect of health care, one of the Clinton Administration's highest priorities. James Kushner discusses growth management, while at HUD we are introducing a Consolidated Planning initiative and placing greater emphasis on community and metropolitan planning. Peter Salsich outlines a major new HUD strategy—working more actively with state housing finance agencies through our new "risk-sharing" initiative and other federal programs as a way to expand production of affordable housing. Finally, John Elwood examines community revitalization, which is at the heart of our Empowerment Zones and Enterprise Communities initiatives, along with HUD's new legislative proposals for Neighborhood LIFT, the Community Viability Fund, and additional efforts.

I have learned a great deal from reading these articles, and I encourage my fellow urban policymakers to read them as well. Each of us can certainly benefit from the enlightenment and concern contained within the pages of this journal. President Kennedy was fond of saying that "a journey of a thousand miles begins with but a single step." Hopefully, these articles may bring us all a few steps closer toward reaching our common goal: better lives, better communities, and a better world for everyone.