

Chiron

—

12-9-96

- **Kurdish Asylees Update:** The Office of Refugee Resettlement has sent additional staff to Guam to prepare for the next group of Kurdish evacuees from Iraq. This group, totaling 4,000-5,000 people, are employees and families of U.S. funded and U.S. based non-governmental organizations. The first group of 2,136 evacuees and some of the second group will be resettled by December 8. Kurdish asylees have been resettled in 56 sites with the largest numbers in Nashville, TN, Salt Lake City, UT, the metropolitan Washington, DC, area and Phoenix, AZ.
- **Needle Exchange Report:** On December 12, the Advisory Committee to the Director of the National Institutes for Health will meet to issue a report on a review of an NIH-funded research program in AK involving needle-exchange among IV-drug users.
- **Operation Unload:** On December 5-6, the Administration on Aging in conjunction with the AARP, the National Association of Attorneys General, the FBI and the U.S. Postal Inspection Service will launch a national effort to warn victims and potential victims that their names appear on telephone lists used by criminals and unscrupulous telemarketers. "Operation Unload" will use older volunteers to call nearly 5,000 people across the U.S. whose names appear on the lists. The program will be launched in Ft. Lauderdale, FL.
- **Medicaid Expenditures Report:** This week, a Kaiser Family Foundation report was released contending that rapid Medicaid expenditure growth from 1988 to 1992 has slowed dramatically and will be slower in the near future than current forecasts predict. The report attributes the decline in growth to the following factors: federal legislation limiting state provider taxes and donations; decreases in enrollment; reduction in medical inflation; and use of managed care and other cost containment efforts. The report predicts that welfare reform implementation will slow Medicaid growth further.
- **AL Medicaid Waiver:** On December 6, HHS announced that AL has won approval from the Administration for a unique Medicaid reform demonstration project in Mobile County. Under the waiver, Medicaid beneficiaries in Mobile County will choose their own primary care provider from within the plan's network and may change primary care providers within the network at any time.
- **Media Inquiries:** On December 15, NBC's *Today Show* will cover a special VIP visit to the NIH campus.

can we
this to get better
assumptions from
OHS/CBO?

12-9-96

- **Singapore Ministerial Conference:** On December 9-13, Singapore will host the 1996 ministerial conference of the WTO. As the first such conference since the entry into force of the organization in 1995, the Singapore Ministerial will provide a critical opportunity to gauge the success of implementation of WTO agreements and set a course for the future work of the organization. The agenda for this ministerial conference addresses three major areas: (1) reviewing implementation of existing agreements and taking stock of unfinished or anticipated work associated with those agreements; (2) finalizing an agreement aimed at further liberalization of trade in information technology goods and securing an endorsement of negotiations to reach agreement on greater transparency, openness and due process in government procurement; and (3) determining whether to initiate WTO work in the areas of investment and competition and examining the relationship between trade and core labor standards.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

- **Child Immunization:** Almost one million two-year-olds in the U.S. are still not adequately immunized against vaccine-preventable diseases. While immunization rates are at an all time high of 75 percent and vaccine preventable diseases at an all-time low, there are still children who lack proper immunization. On December 9, Secretary Shalala will launch a new immunization public service campaign at the fifth annual conference of *Every Child By Two*, a coalition which helps promote childhood immunization. The campaign will consist of a series of public service announcements encouraging parents to make sure that their children are adequately immunized. The announcements will carry an 800 number to respond to requests for additional information in both English and Spanish.
- **Ryan White Care Act:** As early as December 9, HHS will award Ryan White CARE Act formula grants totaling \$227.7 million to 49 eligible metropolitan areas in 20 states, DC and PR. The grants fund a wide range of medical and support services for uninsured and underinsured individuals in areas with a high incidence of HIV and AIDS.
- **Tobacco Litigation:** On December 2, the government filed its brief in opposition to plaintiffs' motion for summary judgement in the four NC lawsuits challenging FDA's regulations restricting the sale and distribution of tobacco products to protect children and adolescents. The government's position was supported by *amicus* briefs filed by MN, 32 other states, Guam and San Francisco, CA. Plaintiffs' reply briefs are due on December 23. Oral argument is scheduled for February 10, in Greensboro, NC.

Liver Transplants: On December 10-12, HHS will hold public hearings on liver transplant allocation. The public will be invited to make suggestions on improving methods to increase organ donation as a whole.

Chasco
November
The letter
got from
this re: Pittsburgh
objection - need
to try to soon
medical
method

12-9-96

UNITED STATES TRADE REPRESENTATIVE

- Leon
S. L. W. - Dec*

NAFTA Panel: On December 2, USTR received the report of the first panel established under NAFTA dispute settlement procedures in a case brought by the U.S. against Canada involving Canadian tariffs on poultry, eggs, barley, and margarine. The panel supported Canada's view that it could apply high tariff rates (in excess of 100 percent), under its WTO tariff schedule, to U.S. agricultural imports, notwithstanding pre-existing obligations under NAFTA to eliminate all duties between the U.S. and Canada. Upon release of the report, Ambassador Barshefsky and Secretary Glickman issued a joint statement indicating that the U.S. will do everything possible to seek the ultimate elimination of these duties and to improve U.S. access to the Canadian market for these products.
- Mexican Brooms:** On December 2, the White House announced that you had provided tariff relief and other forms of adjustment assistance to the U.S. broom corn industry. The action affects imports from Mexico, Panama, Honduras and Colombia. Mexico has stated it will shortly raise its duties on selected products in retaliation, as allowed for under NAFTA. Wine, brandy, Tennessee whiskey and flat glass are possible targets.
- Japan Insurance:** On December 6, Ambassador Barshefsky will travel to Tokyo, Japan, to meet with Japanese Finance Minister Mitsuzuka in an effort to reach an agreement on U.S. access to the Japanese insurance market. The formal deadline for negotiations is December 15. Ambassador Barshefsky discussed sanctions options at a principals, meeting on December 4, should the negotiations fail to resolve the issue.
- Africa Trade Report:** On December 8, you are required by the Uruguay Round Agreements Act of 1994 to submit a report to Congress regarding the Administration's trade and development policy for the countries of Africa. The report will outline that Sub-Saharan nations will receive trade benefits conditioned on undertakings by such nations to enact economic reforms and make binding commitments to open their markets and discuss new initiatives that do not require additional budgetary outlays or legislation to be implemented.
- EU Agriculture:** Ambassador Barshefsky is concerned that the EU has failed to implement a number of U.S.-EU agricultural agreements. In addition, the EU appears poised to impose a series of non-tariff barriers that will restrict entry of numerous U.S. agricultural products by the end of the year. This situation jeopardizes our ability to secure support for fast track negotiating authority within the agricultural community. The EU-U.S. Summit on December 16 will provide an opportunity to address these issues at the highest level.

12-9-96

DEPARTMENT OF JUSTICE

- Handwritten note:* What's the deal here? What did the taxpayer pay for?
- **FEC Investigates Presidential Democratic Convention Travel: In Re Clinton/Gore '96 Primary Committee.** The FEC is investigating whether the federal government violated the Federal Election Campaign Act through taxpayer funding of travel by the President and Vice President aboard a chartered Amtrak train. The RNC has filed an administrative complaint alleging that the \$113,000 paid by the Clinton/Gore Committee to Amtrak to cover the committee's proportionate share of expenses arising from the President's travel is insufficient. On November 22, DOJ argued that the federal government did not violate the Act by use of appropriated funds to pay for the President's travel expenses, since such payments do not constitute campaign contributions as defined in the Act.
 - **Attorney General to Argue Case:** On December 11, the Attorney General will present argument at the Supreme Court on behalf of the U.S. as amicus curiae in MD v. Wilson. The question presented is whether an officer who has made a lawful traffic stop may order a passenger out of the car absent particularized suspicion of wrongdoing by the passenger.
 - **Freemen Cases:** On November 22, in MT, two superseding indictments were returned against 22 of the 24 Freemen in MT. The lead indictment includes 14 defendants and 40 counts of conspiracy, bank fraud and other crimes. The second indictment charges eight defendants with being accessories after the fact.
 - **Laboratory Settlement:** On November 21, Laboratory Corporation of America, on behalf of Roche Biomedical Labs, National Health Labs, and Allied Clinical Labs, agreed to pay the U.S. and 44 state Medicaid programs \$182 million to resolve civil allegations under the False Claims Act regarding unnecessary blood tests billed to Medicare and other programs. The company, on behalf of the Allied San Diego Regional Lab, also pleaded guilty to one felony count of Medicare fraud and agreed to pay a \$5 million fine.
 - **Brown University Gender Discrimination Case:** On November 21, the First Circuit issued its decision in Cohen v. Brown University. As DOJ had urged in its *amicus* brief, the court affirmed the district court's ruling that Brown discriminated against women in the operation of its intercollegiate athletics program.
 - **Adarand 8(a) Contract:** On November 27, in Cortez v. NASA (D.D.C.), Judge Stanley Sporkin enjoined NASA from awarding a contract to a minority-owned firm pursuant to SBA's 8(a) program. Judge Sporkin held that the 8(a) program was facially constitutional under the Adarand standard for federal affirmative action measures. However, he held that the 8(a) program was unconstitutional as applied to the particular award in question. Judge Sporkin said that Adarand calls for a particularized industry-specific determination

12-9-96

- **District of Columbia:** On December 5, Treasury officials met with DC and Authority officials to discuss a possible Treasury Advance. Treasury officials have reviewed the preliminary information provided by DC which outlined its cash needs, Congressionally authorized expenditures and market access issues. Treasury has requested additional information. Based on the initial review, Treasury expects to advance DC approximately \$175 million on December 26.
- **Inflation-Indexed Securities:** Marketing presentations for inflation-indexed securities continue in the U.S. and abroad. The level of understanding among institutional investors continues to grow, and interest in the securities seems broadly based. The *Wall Street Journal* reported that many mutual fund companies have filed with the SEC to offer inflation-indexed mutual funds.

- **Hearing on Jewish Assets:** On December 11, House Banking Committee Chairman Leach will hold a hearing on the issue of Jewish Holocaust Assets held by Swiss banks. Witnesses include Ambassador Eizenstat, Edgar Bronfman, Former Fed Chairman Paul Volcker and representatives of the Swiss banking industry.

Farm Produce Taxes: On December 5, Treasury officials met with farm industry representatives regarding a recently released IRS ruling regarding the tax treatment of crops sold by farmers with payment in a subsequent year. The ruling holds that, while the farmer may defer inclusion in income of the deferred payment until received for regular tax purposes, no deferral is permitted for purposes of Alternative Minimum Tax (AMT) taxpayers. With no deferral allowed for AMT taxpayers, taxes come due in one year although some payments are not received until the following year. This situation has upset the farming community affected by this rule. Senator Daschle has sent Secretary Rubin and Commissioner Richardson a letter, cosigned by Senator Baucus and a number of other Senators, requesting a moratorium on the rule. Treasury officials believe that the IRS is correctly applying the current law, but would work with Congress on corrective legislation. Treasury officials are not in favor of an administrative change or retroactive relief.

- **Secretary's Schedule:** Secretary Rubin will participate in the following events:
 December 8 - Appear on *NBC's Meet the Press*.
 December 9 - Travel NY to meet with Mexican President Zedillo and interview with the *CBS Evening News* team, The *New York Times* editorial board and *CNN's Moneyline*.
 December 12 - Travel to Boston, MA, to do several events at Harvard's JFK School of Government.

12-9-96

January 5-10, 1997, in which case it will become effective immediately upon the governor's second signature. In an effort to defeat the likely condemnation, the City offered to transfer an interest in the land immediately to the U.S. Fish and Wildlife Service as a wildlife refuge. The Fish and Wildlife Service does not perceive the area to have strong wildlife value, and there are important budget and cleanup issues that would also have to be addressed before any transfer could be agreed to.

- **Copperbelly Watersnake:** On December 11, the Fish and Wildlife Service, in conjunction with representatives of relevant states and industry groups, will announce the decision to withdraw the Copperbelly Watersnake. The Copperbelly Watersnake, native to KY, IN, IL, MI, and OH, was proposed for listing as threatened under the Endangered Species Act on August 18, 1993.
- **Oil and Gas Lease Sale:** On December 3, Secretary Babbitt and Governor Knowles met in Seattle, WA. The Governor and the Secretary reviewed Lease Sale 149, an oil and gas offering in Cook Inlet which the Governor has objected to. Secretary Babbitt proposed a smaller sale alternative in the Upper Cook Inlet, coupled with certain state and federal actions that would protect the Lower Cook Inlet from future leasing; the Lower Cook Inlet is the area of most concern to environmentalists and Native Americans. The Governor enthusiastically agreed with the Secretary's proposal, and is likely to announce it on December 5.
- **Headwaters Forest Land Exchange:** On December 5, DOI delivered a list of assets to Maxxam/Pacific Lumber Company which are available for the land exchange portion of the September 28 agreement between the company and DOI. The excess assets to be presented include BLM timber lands, GSA office buildings, Bureau of Mines office buildings, Navy facilities, and other appropriate lands. Maxxam will be meeting with DOI representatives on December 11 and 12 to begin the process of appraising these assets.
- **Ward Valley:** On December 11, DOI will formally announce that it is soliciting bids from outside-government contractors to prepare a Supplemental Environmental Impact Statement (SEIS) on the proposed Ward Valley land transfer in CA. Ward Valley is the site of a proposed low level radioactive waste site serving CA, AZ, ND and SD. The SEIS will address new issues that have come to DOI's attention since the original environmental impact statement was completed in 1991.
- **Grand Staircase-Escalante National Monument:** DOI is appealing OMB's decision to eliminate new funding for the Monument in BLM's FY98 budget. Without funding, BLM will be unable to fulfill commitments made to UT and other parties in conjunction with your proclamation.

Leon
cannot
agree!

- **Secretary's Schedule:** Secretary Babbitt will participate in the following events:
December 11- Signing of a conservation agreement for the Copperbelly Water snake in Frankfurt, KY.
December 12- Participate in the release of a population of CA Condors in AZ.
December 13- Tour a fire management area in the Ponderosa Pine Forest in Northern AZ.

UNITED STATES DEPARTMENT OF AGRICULTURE

- **Marketing Order Case:** On December 2, the Supreme Court heard oral arguments in Glickman v. Wileman Bros. and Elliott, Inc. (Wileman), challenging the constitutionality of tree fruit marketing orders administered by USDA. The Ninth Circuit Court of Appeals found that the tree fruit and almond advertising program was unconstitutional on First Amendment grounds, and the U.S. sought Supreme Court review. The central issue is whether mandatory assessments used to produce a generic advertising program constitutes a violation of the handlers' First Amendment right to free speech. The case would affect the viability of the 29 federal and numerous state generic agricultural advertising programs. This case was brought by several handlers of CA peaches, plums, and nectarines. Secretary Glickman issued a statement emphasizing the Administration's strong support for federal marketing orders.
Handwritten note: LHM Glickman should be on this!
- **Minority Farmers Issues:** African American farmers from VA have raised concerns regarding possible discrimination in USDA farm credit programs. This issue has received some press coverage in VA, and the farmers have indicated that they will hold a march in front of USDA headquarters and the White House on December 12 to express their concerns. There is also a hearing scheduled for December 13. Representative Clayton sent a letter to USDA indicating her interest in these issues and her intent to ask the House Agriculture Committee to hold hearings.
- **Dairy Policy Reform:** On December 3, USDA announced the first step in dairy policy reform as required by the 1996 farm bill. This proposal will consolidate the current 32 federal milk marketing orders into 10.
- **Cutthroat Trout:** In a November 18 letter to USDA, the Sierra Club Legal Defense Fund claims the Forest Service is violating the Endangered Species Act and the Administrative Procedures Act by "proceeding with activities that may affect the Umpqua cutthroat trout in western OR." The group intends to file suit, which could cause some problems for your Forest Plan.
Handwritten note: VA/Conf
- **Acting Forest Service Chief Named:** Last week, Secretary Glickman asked Forest Service Associate Chief Dave Unger to serve as Acting Chief until a successor is named for retired Forest Service Chief Jack Ward Thomas.
Handwritten note: We need to be very careful w/ this

- **Secretary's Schedule:** Secretary Babbitt will participate in the following events:
December 11- Signing of a conservation agreement for the Copperbelly Water snake in Frankfurt, KY.
December 12- Participate in the release of a population of CA Condors in AZ.
December 13- Tour a fire management area in the Ponderosa Pine Forest in Northern AZ.

UNITED STATES DEPARTMENT OF AGRICULTURE

- **Marketing Order Case:** On December 2, the Supreme Court heard oral arguments in Glickman v. Wileman Bros. and Elliott, Inc. (Wileman), challenging the constitutionality of tree fruit marketing orders administered by USDA. The Ninth Circuit Court of Appeals found that the tree fruit and almond advertising program was unconstitutional on First Amendment grounds, and the U.S. sought Supreme Court review. The central issue is whether mandatory assessments used to produce a generic advertising program constitutes a violation of the handlers' First Amendment right to free speech. The case would affect the viability of the 29 federal and numerous state generic agricultural advertising programs. This case was brought by several handlers of CA peaches, plums, and nectarines. Secretary Glickman issued a statement emphasizing the Administration's strong support for federal marketing orders.
Wileman Bros. & Elliott, Inc. v. Glickman
- **Minority Farmers Issues:** African American farmers from VA have raised concerns regarding possible discrimination in USDA farm credit programs. This issue has received some press coverage in VA, and the farmers have indicated that they will hold a march in front of USDA headquarters and the White House on December 12 to express their concerns. There is also a hearing scheduled for December 13. Representative Clayton sent a letter to USDA indicating her interest in these issues and her intent to ask the House Agriculture Committee to hold hearings.
- **Dairy Policy Reform:** On December 3, USDA announced the first step in dairy policy reform as required by the 1996 farm bill. This proposal will consolidate the current 32 federal milk marketing orders into 10.
- **Cutthroat Trout:** In a November 18 letter to USDA, the Sierra Club Legal Defense Fund claims the Forest Service is violating the Endangered Species Act and the Administrative Procedures Act by "proceeding with activities that may affect the Umpqua cutthroat trout in western OR." The group intends to file suit, which could cause some problems for your Forest Plan.
- **Acting Forest Service Chief Named:** Last week, Secretary Glickman asked Forest Service Associate Chief Dave Unger to serve as Acting Chief until a successor is named for retired Forest Service Chief Jack Ward Thomas.
*VA/CA/NEB
We need to be very careful
of this*

12-9-96

- **Agricultural Markets:** Farm milk prices for manufacturing grade milk declined in November to \$13.10 per hundredweight, compared to September's \$15.30 record high. Despite the drop, the November price is the highest for the month since 1989. Following declines in cheese and butter prices during the past several weeks, milk prices will likely decline further in December.
- **Welfare Reform Update:** On November 27, USDA notified WI of approval of its welfare reform demonstration project, Wisconsin Works (W-2). W-2 implements a nutrition education training component, imposes an employment and training fiscal sanction, and revises the work registration exemption criteria. On December 3, USDA released guidance to states seeking waivers for food stamp limits. When a state agency can certify that data from the Bureau of Labor Statistics show an unemployment rate above 10 percent in specified areas, the state may begin to operate the waiver in those areas at the time the waiver request is submitted. USDA must approve waivers based on a lack of sufficient jobs before they take effect. LA, NJ, and VA have received waivers from USDA to exempt individuals in areas with unemployment rates over 10 percent from the work requirement provisions of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996. Requests have also been received from IL, WA, and WV.
- **Timber Industry:** Prepared under your Northwest Forest Plan, four new timber sales will be offered in OR's Mount Hood National Forest and are expected to draw some controversy. The Eagle and Beagle Sales will be auctioned on December 17 and the Talon and Claw Sales on December 19.
- ✓ **Cattle Producers:** The week of December 2, USDA purchased 5.1 million pounds of ground beef products for use in the National School Lunch Program and other federal food assistance programs. This continues the Administration's commitment to stabilize low cattle prices and to help U.S. cattle producers through the current period of high feed costs and reduced feed availability. Total weekly beef purchases since July have reached 121.8 million pounds at a cost of \$114.9 million.
- **Timber Salvage Sales:** In a recent letter to you, 53 Members of Congress raised concerns regarding the implementation of the salvage timber rider, which terminates December 31. They fear that ecologically damaging salvage sales are being rushed through the process to take advantage of the salvage rider's restrictions on citizen appeals and legal challenges. Under Secretary for Natural Resources and Environment Lyons is sending a directive to the Forest Service to ensure that no salvage sales proceed on an expedited basis.

COON / US
needs to
stay out of
Oregon

12-9-96

- **Secretary's Schedule:** Secretary O'Leary will participate in the following events.
December 10-12 - Participate in the Foundations for Energy - Efficient Communities convention.
December 11 - Participate in a teleconference to discuss the results of a national public opinion survey on energy issues released by the Sustainable Energy Coalition.
December 12 - Convene a public meeting on the impacts of electricity industry restructuring in the southwest region.
- **St. Louis Cleanup:** On December 5, Under Secretary Grumbly addressed the St. Louis Site Remediation Task Force announcing that DOE has accepted the Task Force recommendation to cease disposing radioactive waste at the St. Louis, MO, Airport site. The Administration has already increased the annual cleanup budget from \$8 million to \$23 million resulting in the cleanup of residential, industrial and a river front area for recreational use.

DEPARTMENT OF EDUCATION

- **IDEA in Religious Schools:** On December 2, the Supreme Court invited the Solicitor General to file a brief on whether the Court should review the case of K.R. v. Anderson School District. A Seventh Circuit panel adopted DoEd's position in the case that the Individuals with Disabilities Education Act (IDEA) does not require a school to provide a full-time instructional assistant to a child who is voluntarily enrolled at a parochial school and that failing to provide such assistance does not violate the First Amendment
- **Student Loan Fraud:** A Federal jury found the owner and operator of a CA proprietary school, California Institute, guilty of wire fraud and false statements arising from a scheme that defrauded DoEd of at least \$4.3 million. The Defendant recruited students from homeless shelters, unemployment agencies and housing projects and retained the proceeds of the student aid for which they applied, even after the students withdrew from the school. Sentencing is scheduled for February 6, 1997.

Default Rate Release: In early January, Secretary Riley will announce the student loan default rate for FY94. It is expected to be lower than the FY93 rate. The FY94 rate encompasses loans that went into repayment during the period October 1993 through September 1994, and reports on their repayment history for the period October 1993 through September 1995. The FY93 rate was 11.6 percent, the lowest ever, down from over 22 percent in FY90.

Don/Pres
Should get publicity on if dropped out in 2!
Could tie to radio address on our college initiatives

12-9-96

SMALL BUSINESS ADMINISTRATION

- **Small Business Conference:** On December 11-12, several hundred delegates from the White House Conference will meet in Washington D.C.
- **St. Petersburg:** Economic Injury Disaster Loans have already been approved in St. Petersburg, FL, as part of the Interagency Task Force you requested Secretary Cisneros to lead as a result of the recent civil unrest.

SOCIAL SECURITY ADMINISTRATION

- **Welfare Reform Regulations:** By November 22, SSA was required to publish regulations by four provisions of the Welfare Reform bill. Two of the provisions, accountability requirements for benefit payments to children and installment payment of large past-due SSI benefits, are contained in an interim final rule which is under review at OMB and which SSA expects to publish the week of December 9. A third provision applies a \$30 payment limit to children in medical care facilities receiving payment on their behalf under a private health insurance policy. SSA expects to publish this interim final rule in mid-December. The fourth provision changes the definition of disability for children in the SSI program and requires SSA to develop implementing regulations for defining this new eligibility standard.
- **Working Seniors Earnings Report:** Social Security beneficiaries under age 70, who continue to work and earn more than the exempt amount, are required to file a report of their earnings with SSA so that the Agency can determine the correct level of benefits. As part of a Reinventing Government II initiative, SSA is proposing to revise its regulations regarding these reports. Under the proposed revision, SSA would use the W-2 income tax information filed by the employer and/or the self-employment income tax return filed by the individual with IRS as the annual report of earnings. This would eliminate the annual report of earnings form and the need for most of the 1.3 million working beneficiaries to file a separate report. The estimated total reduction in the public reporting burden is 330,833 hours. SSA expects to publish a final regulation by mid-April.

cc: VA
Worth
Shaw
Mabey

THE WHITE HOUSE

Jim -

Could you prepare this
for an honorary chair
request.

Thanks

Phil

cc: Ann Stock

re: Mar 2 or Mar 9
date.

Ford's Theatre

511 Tenth Street, N.W., Washington, D.C. 20004 202/638-2941 FAX 202/347-6269

A Festival at Ford's

1997 GALA

November 22, 1996

Mrs. Fritz Hollings
Mrs. Trent Lott
Gala Chairmen

Frankie Hewitt
Producing Artistic Director

BOARD OF TRUSTEES

Paul Berry
Samuel D. Chilcote, Jr.
G. Bradford Cook
Kenneth M. Duberstein
Rhoda J. Clickman
Barry Gottcher
Mrs. Fritz Hollings
Judith Richards Hope
Mrs. Paul Laxalt
Charles E. Long
Gerald M. Lowrie
Mrs. Charles T. Munatt
Hon. Joseph McDade
William F. McSweeney
Mrs. Phillip Merrill
Leslie Moonves
Robert Mosbacher, Jr.
Mrs. Ervin Nutter
Mrs. Thomas P. O'Neill, Jr.
Lynda Johnson Rohh
Lewis Rudin
Frederick J. Ryan, Jr.
Mrs. John M.D. Shalikashvili
Mrs. Alan Simpson
Oliver R. Sockwell
Catherine Ann Stevens
Walter J. Stewart
Deborah Szekely
Hon. C. William Verity, Jr.
Ronald H. Walker
Mrs. Charles Wick
Betsey Wright

GALA UNDERWRITER
Citicorp/Citibank

Dear Mrs. Clinton:

We certainly hope that you will again agree to serve as Honorary Chairman of our "Gala Salute to the President at Ford's Theatre."

We have enclosed a letter requesting confirmation of the date for the Festival along with other details of the event.

Thank you for your kind consideration. As always, we are looking forward to your participation.

Sincerely,


Tricia Lott
Gala Co-Chair


Peatsy Hollings
Gala Co-Chair

Mrs. Hillary Clinton
The White House
Washington, DC 20500

Ford's Theatre

511 Tenth Street, N.W., Washington, D.C. 20004 202/638-2941 FAX 202/347-6269

November 22, 1996

A Festival at Ford's

1997 GALA

Mrs. Fritz Hollings
Mrs. Trent Lott
Gala Chairmen

Frankie Hewitt
Producing Artistic Director

BOARD OF TRUSTEES

Paul Berry
Samuel D. Chilcote, Jr.
C. Bradford Cook
Kenneth M. Duberstein
Rhoda J. Glickman
Barry Gottschler
Mrs. Fritz Hollings
Judith Richards Hope
Mrs. Paul Laxalt
Charles E. Long
Gerald M. Lowrie
Mrs. Charles T. Manatt
Hon. Joseph McDade
William F. McSweeney
Mrs. Philip Merrill
Leticia Moonves
Robert Mosbacher, Jr.
Mrs. Ervin Nutter
Mrs. Thomas P. O'Neill, Jr.
Lynda Johnson Robb
Lewis Rudin
Frederick J. Ryan, Jr.
Mrs. John M.D. Shalikashvili
Mrs. Alan Simpson
Oliver R. Sockwell
Catherine Ann Stevens
Walter J. Stewart
Deborah Szekely
Hon. C. William Verity, Jr.
Ronald H. Walker
Mrs. Charles Wick
Betsy Wright

GALA UNDERWRITER
Citicorp/Citicbank

Dear Mr. President and Mrs. Clinton:

As Co-Chairs of the 1997 "Gala Salute to the President at Ford's Theatre," we are anxious to welcome you back to Ford's for a relaxed evening of music and laughter. Capital Cities/ABC, Inc. will again air the show as a prime-time special.

This year's format will be the same as in the past - a post-rehearsal reception for our guests and the performers in Statuary Hall of the Capitol on Saturday evening; a reception for the stars, major contributors, and Ford's Board members at the White House on Sunday afternoon prior to the performance; the performance at Ford's Theatre on Sunday evening, followed by a seated supper at the Organization of American States Building.

We have tentatively scheduled the performance and the White House reception for Sunday, March 2, 1997; several entertainers are graciously holding this date. If your schedule will not accommodate March 2, we have Sunday, March 9 as an alternative.

In order for us to move quickly to line up an all-star cast, we hope you can confirm one of these dates as soon as possible. We look forward to honoring you both with another memorable evening at Ford's Theatre.

Sincerely,



Tricia Lott
Gala Co-Chair



Peatsy Hollings
Gala Co-Chair

The President
and Mrs. Clinton
The White House
Washington, DC 20500

THE WHITE HOUSE
WASHINGTON

December 9, 1996

To: Leon Panetta
Harold Ickes
Evelyn Lieberman
George Stephanopoulos

Fr: Todd Stern

Re: National AIDS Strategy

As you recall, the presentation of this strategy report, which was considered as an option for Dec. 2 in connection with World AIDS Day, was postponed, in part because of Richard Socarides' apparent concern that it would be criticized.

Patsy Fleming's attached note indicates that, while the report may indeed get some criticism from groups who want us to take substantive steps that we aren't prepared to take -- e.g., needle exchanges, specific commitments for increased funding, a "Manhattan Project" research effort -- the report reflects extensive consultation with the AIDS community and should be supportively received by most of it. *Patsy also notes that the consultation process has created an expectation that the report will be presented to the President and urges that this happen before the next meeting of the President's Advisory Council, Dec. 15-17 in Washington.*

Having talked to Patsy and her very competent deputy, Jeff Levi, my sense is that we would hurt ourselves not by putting the report out, but by failing to do so. And that a brief presentation of it to the President is probably in order.

cc: Erskine Bowles

THE WHITE HOUSE
WASHINGTON

MEMORANDUM TO TODD STERN

FROM: Patsy Fleming 

SUBJECT: National AIDS Strategy

For nearly a year, the Office of National AIDS Strategy has been working with representatives of numerous Federal Agencies to develop the first-ever National AIDS Strategy. A final version of this strategy is now ready to be presented to the President and released to the public.

Background

In his 1992 campaign, the President promised that his Administration would develop a national AIDS strategy to guide his Administration's approach to the numerous challenges presented by HIV and AIDS. My office has endeavored to draft the strategy with significant input from all relevant Agencies, the President's Advisory Council on HIV/AIDS, and national AIDS organizations.

The completed document is, by necessity, broad in nature but sets out six major goals: To work to develop a cure and a vaccine; to reduce and eventually eliminate new infections; to provide people with AIDS access to necessary care and services; to fight AIDS-related discrimination; to maintain our international leadership role; and to ensure that scientific advances are translated into improved care and prevention.

The strategy was reviewed by all relevant Agencies, by members of the President's Advisory Council, and by 11 national AIDS organizations. Revisions were made to reflect the comments of Council members and the external organizations. The final document has general support, but it is important to note that support is not universal. Some of the outside organizations would like the strategy to make specific commitments for future funding of AIDS research, prevention, and care. Others would like the strategy to embrace such approaches as needle exchange programs and a "Manhattan Project" research effort. On balance, however, I believe we can depend on support from the majority of these organizations.

Recommendation

The external review process has created expectations that this document will be delivered to the President. I would like to present the report to the President and release it to the public before the next meeting of the President's Advisory Council, scheduled for Dec. 15-17, here in Washington.

THE WHITE HOUSE
WASHINGTON, D.C. 20500

DATE: 12-9

TO: ✓ U, C, K, -

FROM: Staff Secretary

Here's a list of those in
Cabinet: (a) the department
heads who are in the Cabinet
automatically by long-standing
tradition, & (b) the others on
whom POTUS has conferred
Cabinet rank.

gail

EXECUTIVE DEPARTMENT HEADS

The Honorable Warren Christopher
Secretary of State

The Honorable Robert E. Rubin
Secretary of the Treasury

The Honorable William J. Perry
Secretary of Defense

The Honorable Janet Reno
Attorney General

The Honorable Bruce Babbitt
Secretary of the Interior

The Honorable Daniel R. Glickman
Secretary of Agriculture

The Honorable Michael Kantor
Secretary of Commerce

The Honorable Robert B. Reich
Secretary of Labor

The Honorable Donna E. Shalala
Secretary of Health and
Human Services

The Honorable Henry G. Cisneros
Secretary of Housing and
Urban Development

The Honorable Federico Peña
Secretary of Transportation

The Honorable Hazel Rollins O'Leary
Secretary of Energy

The Honorable Richard W. Riley
Secretary of Education

The Honorable Jesse Brown
Secretary of Veterans Affairs

INDIVIDUALS CURRENTLY HOLDING CABINET RANK

<u>Name and Title</u>	<u>Date of Rank</u>
Madeleine Korbelt Albright, Representative of the United States of America to the United Nations	1/27/93
Carol M. Browner, Administrator of the Environmental Protection Agency	1/21/93
Leon E. Panetta, Chief of Staff to the President of the United States of America	7/17/94
Thomas F. McLarty, III, Counsellor to the President of the United States of America	7/17/94
Philip Lader Administrator of the Small Business Administration	10/12/94
John M. Deutch Director of Central Intelligence	5/9/95
Joseph E. Stiglitz Chair of the Council of Economic Advisers	6/28/95
James Lee Witt Director of the Federal Emergency Management Agency	2/26/96
Barry R. McCaffrey Director of National Drug Control Policy	3/1/96
Franklin D. Raines Director of the Office of Management and Budget	9/13/96

Proposed Text for 1997 Birthday Card

Happy Birthday!

✓✓ We are delighted to extend our warmest congratulations on this joyous occasion, ~~and~~ we join your family and friends in wishing you a memorable celebration and every happiness in the year ahead.

12/9/96

OK w/ret3

DD3

To: J. m Dosskind

Proposed Text for 1997 Special Occasion Card

As you celebrate this special occasion, Hillary and I join your family and friends in extending warmest congratulations. You have our best wishes for every future happiness.

OK

Proposed text for 1997 Anniversary Card

We are pleased to extend to both of you our warmest congratulations on your wedding anniversary.

As you mark this milestone in your marriage, you have our best wishes for a joyous celebration. May your love for each other continue to grow in the years ahead.

OK

Proposed Text for 1997 Get Well Card

Hillary and I were sorry to learn that you have not been well. We hope that you will soon be feeling better, and we are keeping you in our thoughts and prayers.

OK

Proposed Text for 1997 Condolence Card

Hillary and I were deeply saddened to learn of your loss.

You have our heartfelt sympathy, and we hope that the support of your family and friends will bring you comfort in the days ahead. We are keeping you in our thoughts and prayers.

A handwritten signature in black ink, appearing to be the initials 'JR' or a similar stylized monogram.

12-9-96

Thurs / Sunday
 identifying
 piece
 Be



POLITICAL POSSIBILITIES

Seeking justice

by James M. Wall

POISED TO BEGIN his second term, Bill Clinton has an opportunity to put into action Reinhold Niebuhr's understanding of the purpose of politics: to bring relative justice to a fallen world. The list of problems and injustices is, of course, long and complex. One pressing issue about which Clinton can do something is the suffering of the people of Iraq caused by the economic sanctions imposed on

that country at the end of the gulf war. The sanctions were applied to punish Saddam Hussein for invading Kuwait in 1990 and for subsequently failing to convince United Nations officials that he had either eliminated Iraq's weapons of mass destruction or opened them to inspection. This punishment appears both unjust and counterproductive: it has had little impact on Iraqi leadership, and it has entailed enormous suffering for the Iraqi people.

In his first term, Clinton wanted to act tough in dealing with Saddam Hussein. But now freed from having to run for president again, Clinton can put aside the constraints of domestic politics and deal with the situation in Iraq, where, according to Carol Belamy, executive director of UNICEF, each month hunger and disease cause the deaths of 4,500 children under the age of five.

According to the *New York Times*, Harvard epidemiological researcher Mary Smith Fawzi has found that Iraq's crumbling water and sewage systems place "even moderately malnourished children . . . at a much greater risk of death" from infections. One UNICEF report indicates that more than half of Iraqi women and children receive less than 50 percent of daily caloric requirements. And, according to Catherine Bertini, director of the UN World Food Program, with Iraqi food production now 30 percent below last year's total, the winter months will be especially difficult for 180,000 malnourished children and 900,000 women whose husbands were

killed in the war with Iran in the 1980s.

Efforts by UNICEF to raise funds from donor nations to feed starving Iraqis have met with little success, according to one UN official, because Iraq is not a destitute nation. Once a standoff between the Clinton administration and Hussein ends over how to implement oil sales, Iraq could begin exporting up to \$2 billion worth of oil every six months. Some UN diplomats have complained that the U.S. is stalling over the establishment of oil prices and the writing of contracts with Iraq, preventing a resolution of the situation.

U.S. officials continue to insist that it's Iraq that has delayed final agreements on the sale of oil. Is bickering over the price of the oil and the method of distributing it seemly behavior for the world's most powerful nation, when it knows that with each passing month another 4,500 children die from hunger and disease?

The answer is not as obvious as it might seem, since there is no guarantee that Hussein would use his oil revenue to alleviate the suffering of the people. Nevertheless, the U.S. needs to remove the barriers that make it certain that the suffering will continue.

In his book *Reinhold Niebuhr and Christian Realism* Robin Lovin points out that "it is impossible to say whether the resolution of a particular conflict

points the way to the harmony of all interests, or merely opens the way for new and different conflicts, possibly involving larger groups and interests and higher levels of destructiveness. Theories of justice point the way to adjudication of future conflicts on the basis of moral claims, but there is no way of knowing in advance that they will be successful." For this reason, Lovin goes on, "the obligation to pursue justice must rest on some commitment other than predictable success."

The U.S. cannot impose justice on other nations, but it can follow its own best traditions in dealing with other nations by taking those actions that do not deprive others of justice. We dare not conduct foreign policy from a posture of naïveté, but at the same time we must not deny the presence of moral claims in our dealings with others.

In *An Interpretation of Christian Ethics*, Niebuhr offers this word of realistic guidance: "Every truly moral act seeks to establish what ought to be, because the agent feels obligated to the ideal, though historically unrealized, as being the order of life in its more essential reality. Thus the Christian believes that the ideal of love is real in the will and nature of God, even though he knows of no place in history where the ideal has been realized in its pure form. And it is because it has this reality that he feels the pull of obligation."

Bill Clinton can't claim that he knows God's will in any particular political situation, even one involving the deaths of 4,500 children each month. He does have a moral obligation to do what he can to prevent those deaths. He cannot impose his will on Hussein directly, nor is he able to impose an internal political solution in Iraq. He can only take the steps his obligation to justice pulls him to make.

A second-term president is able to act in the best interests and according to the best moral claims of his nation. Free from the demands of political expediency (and relieved of naïve assumptions about what is possible), he can seek those solutions that enhance justice in an imperfect world. ■

**Can the U.S.
 move to
 prevent
 hunger
 and disease
 from further
 ravaging
 the people
 of Iraq?**

I will do some more
work on you suggest
Maurice

RICHARD HELMS

THE PRESIDENT HAS SEEN
11-15-96

November 7, 1996.

Dear Mr. President,

Cynthia and I send you
heartiest congratulations as you face another
term as President of the United States of
America, a title which has a resonance
like no other in the world. May you have
much luck to accompany your considerable
intelligence and education. Luck needs to
be present in every successful enterprise.
And our best wishes go with you.

As one who spent an entire career
in Intelligence, may I suggest that you
concentrate to a greater degree on that
Community, The Central Intelligence Agency,
whether you believe in it or not, is the
President's personal organization, and it
needs your support if it is to do that
all-important job of combatting terrorism,
weapons of mass destruction, drugs, and
other plagues. Of 20th century Presidents

only George Bush has understood how
the C.I.A and the Community operate,
and that was only because he was
the Director for a time.

Again, good luck and fair
weather,

Respectfully,

Dick

cc Helton
to Ray Nigro
to Robert Kelly
Lynne
Gail
R

Baché letter
(13/8/96)
for S. Woodin

THE WHITE HOUSE
WASHINGTON

December 5, 1996

Ms. Davida Baché
President
Evolution Balance Management
32 West Anapumu Street
Santa Barbara, California 93101

Dear Davida:

Thank you so much for your letter and the copy of your son's inspiring essay. I was moved by your personal experience, and I have shared your correspondence with my staff.

You should be proud of the courage, initiative, and ability you have shown in making a better life for yourself and your sons. I commend you for providing such a powerful example for all Americans and for caring enough to want to help others in similar situations. With the assistance and encouragement of our communities, dedicated people like you are meeting the challenge of moving people from welfare to work and helping us to build a brighter future for all our nation's people.

We have a historic opportunity to end welfare as we know it and replace it with a system that offers hope, demands responsibility, and rewards work. It is now up to all of us to ensure that welfare is a second chance, not a way of life. I extend my deepest thanks for your commitment to this important cause.

Hillary and I send our best wishes to you and your family for much continued happiness and success.

Sincerely,

Bill Clinton

What an impressive
and wise young man
your son is — we need
your help to move people
from welfare to work.

EVOLUTION

balance management

November 1 1996

DAVIDA BACHÉ
president

Dear President Clinton,

My company, Evolution was founded four years ago within the walls of a homeless shelter here in Santa Barbara. I was on full government support and I lacked the training necessary to provide for myself and my two children. Quite by accident, we were abandoned by a loving husband of sixteen years.

Within the shelter, I was given six months to create a living or face the streets. I have enclosed a letter my son wrote for a college class on his twenty-first birthday.

With the endorsement of the head of Social Services and our own County Supervisor, I have begun creating a campaign targeting welfare recipients, W.O.W.(Women on Welfare). We are locating several powerful women throughout the country like myself and Whoopi Goldberg, who have not only been supported by the system but created powerful careers that are now contributing to thousands of people across our continent.

When you are re-elected, I would like to head this campaign similar to the Nike ads of "Just do It". I want to show America that a Welfare/Work ticket is a winning combination that produces winners!

Thank you for your consideration.

Sincerely,



Davida Bache
President

EVOLUTION

balance management

DAVIDA BACHÉ
president

Homeless in the Heart

When the word homeless is mentioned, one quickly pictures a poor soul huddled in a box, eating the few scraps of food they can find. Or a person too mentally imbalanced to lead a productive life in society, wandering down the street babbling in words only he or she can understand. In Jo Goodwin Parker's short story, "What is Poverty?", Parker tells her graphic and incisive experience with homelessness. She accounts the times when she had nothing to eat for herself, only her children. The hard nights on the street with the cold biting at her side, with no ability to warm herself, she curls up with her children in a cardboard box. The painful feeling of not being able to feed her children runs deep into the heart. This mother had no means of supporting herself or her children, but she valiantly continues to mother them in the best way she can. This woman felt so much humility and shame throughout her life, it is amazing she has any courage or strength left at all. Although her account was sad and full of despair, not all stories of homelessness are as shocking. Many families live in the same predicament with shelter. I have been a homeless child who lived in a community shelter. I too have shared the same fear and sadness, the shame of society, and the gained strength of independence from surviving the loss of my home.

My social status throughout my life has never been one of wealth, but far from poverty. My family lived in a beautiful country cottage for twelve years, while raising two boys and launching a prosperous business. We lived the American lifestyle. There was always dinner on the table, and presents under the tree at Christmas. Our needs and wants were always met.

When I was twelve my parents began suffering serious marital distress. Unable to resolve the issues that can sometimes never be resolved, my mother told my father to leave. With no other suitable and stable means of income my mother, brother, and I began to have financial problems. Unable to pay the rent, our landlord promptly served us with an eviction notice. Within thirty days we had nowhere to go, and nobody to turn to; reluctantly my abridged family moved into a nearby motel for a week. I recall that week as one of the most disorienting times in my life. When I came home to our motel room I had no bed to call my own, no kitchen to make myself a snack as we were living out of an ice box, and nothing to call my own anymore, just the bag that I came with. I constantly questioned my mother where we were going to move and she always replied, "I don't know son." Two days before our stay at the motel was up my mother told my brother and I that we were going to move into a family shelter in Santa Barbara. My heart sank into my shoes. Shelters were for people who lived in alleys. Shelters were for the people who had no family. Shelters were for people who had no place to go, and we had nowhere to go. Within two days we had moved our remaining valuable possessions into an eight by ten room. The shelter we moved into had five bedrooms crammed with bunk beds, clothes, and children. Each room housed a mother and her children, and a large restaurant style kitchen which served as our collective eatery. The floors were dirty, the kitchen smelled of rotting vegetables, but I was with my family and we were safe. The first night we were there I tried with all my might to decorate my room as if it were my home, but the walls felt as if they were cardboard, liable to disappear at any moment. I laid in bed that night, struggling with my emotions, and wondering if I would ever have a home again.

The next day while commuting to school , I tried to decide what I would tell my friends. How could I gracefully tell them, most of whom were all wealthy, that I had moved into a homeless shelter? I had never felt so much shame, and I had never felt so small. While my friends were going out to dinner every Friday night, I was at my dirty shelter cooking macaroni and cheese watching my brother and helping him with his homework. I could never leave him alone, or family services would come and take us both away from our mother. While my friends' parents were having dinner parties, my mother was out working extra hours to save for rent, and to put food on the table. Many nights I had to come home from school to baby-sit my brother while my mom was out. This made a social life completely unattainable. We were not allowed any visitors inside the shelter, so when friends came over, I shamefully told them to wait outside while I grabbed my things. They all asked where I lived and I told them I lived in an apartment complex, ashamed to tell them the truth. I had no extra money to spend on fun, as most of it was used on gas and maintenance on my car to get to school. My whole existence as a carefree teenager became the duty of a father to my brother, a confidant to my mother, and a starving student living in shame of his existence.

As time slowly passed by we became accustomed to the makeshift home we lived in. My mother continued saving money every day to move out, since we were only allowed six months to stay. I continued with school into my senior year, and was doing remarkably well. My brother, who used to be a shut in, began making friends at his new school in Santa Barbara. We trudged through day after day living in the shelter with screaming babies, and beaten wives, finding strength in places we never knew about. I began to cook more often, and enjoyed the simple satisfaction of serving my mother and brother dinner.

My mother became so strong and driven I couldn't help but to admire her courage and her grace in such a time of despair. My own strength grew as well and I began to see that everyone can have happiness if they choose to. I began to love the small family that lived in the shelter; the mothers, the babies, and the bond that we all shared by having nothing but one another. Coming towards the end of the sixth month, my mother found a home. She had finally saved enough money to move and our time in the shelter had come to an end. Six months of struggle, six months of humility, and six months of strength would now send us out into the world. Our dreams still intact, and our happiness soaring, we moved into our first house we could call our own.

Three years later I still look back upon that time in my life and smile. It was then when I truly found my strength and happiness. I had never been so close to my family until everything we had was taken from us. Becoming homeless can be the most horrible and humbling experience in a person's life, but it can also be the most empowering. Homelessness is not always bums on the sidewalk, it can be good decent families that have stumbled into hard times, unable to fight the power of money. My experience of being without a home was the most painful time in my life, but in a way it was the brightest. It was then I found myself and my strength. It was then when I found my family. It was when I had nothing, that I found everything. I will never forget our shelter on De La Vina street, and the person I found there

Torin Rea is now 21 years old sharing a home in San Diego California and working at one of the highest selling Nordstroms in the Country. Last year he was the first twenty year old ever to achieve the honor of top seller in the region. He is a legend in his company!.

THE PRESIDENT HAS SEEN

12-9-96

Date: 11/21/96 Time: 15:35

Appointment Process Called Abusive, Self-Defeating

Leon (403) → This isn't
going anywhere is it?
BC

WASHINGTON (AP) As President Clinton struggles to put together a new team, a citizens' task force said Thursday that the appointment process has become intrusive, abusive and self-defeating, "repellent to the very people it seeks to recruit."

"The confirmation process is undermining the very trust in government it is supposed to foster," said a panel assembled by the Twentieth Century Fund, a nonpartisan foundation that analyzes political issues.

Among the members of the 17-person panel is one who knew firsthand how agonizing the process can be.

Theodore Sorensen, adviser to President Kennedy, withdrew in 1977 as President Carter's candidate to head the CIA after senators complained anonymously about his conscientious objector status in the World War II draft and his handling of classified materials while in the White House.

Sorensen did not attend a news conference Thursday at which the task force's 226-page report was released and did not immediately respond to a telephone inquiry.

The task force was chaired by two former senators, John Culver, D-Iowa, and Charles McC. Mathias, R-Md.

Among its members are Paul Volcker, former chairman of the Federal Reserve; Lloyd Cutler, counsel to Presidents Carter and Clinton; Arthur Culvahouse Jr., counsel to President Reagan; Constance Horner, personnel chief for President Bush; and Thomas Kean, former governor of New Jersey, himself mentioned as a possible Republican appointee to Clinton's new Cabinet.

Clinton is encountering familiar difficulties in assembling a second-term team after a troublesome time staffing his first administration. During his first administration, two candidates for attorney general and one for civil rights chief were dropped in face of criticisms and a nominee for surgeon general was defeated in the Senate.

The task force acknowledged that scrutiny of nominees is appropriate, but it said more civility is needed from all involved, including the press.

The consequences otherwise are harmful, it said, citing accounts of qualified people who turned down appointments "because they did not want to be subjected to the intense and sometimes irrelevant scrutiny or to the personal abuse that has become increasingly common in the appointment process."

One panel member, Arnie Miller, who operated Carter's personnel office, said that in the FBI's clearance process some female candidates for appointments were asked such "absolutely outrageous" questions as whether they had ever had an abortion.

The panel recommended that full-scale FBI investigations be dropped except for sensitive posts. The FBI often comes up with a "jumble of highly intrusive and frequently uncorroborated information," it said.

The panel also recommended:

Cutting by a third the number of nominees requiring confirmation.

Waiving hearings for low-level noncontroversial appointees.

Prohibiting confirmation filibusters in the Senate.

Streamlining financial disclosure forms and clearance procedures.

Conducting some Senate confirmation hearings behind closed
doors.

Prohibiting individual senators from putting a ``hold'' on
nominations.

It said presidential candidates should think about staffing a
government before Election Day. But that, it said, would require
that they ``overcome the inhibition of appearing to be
presumptuous'' about winning.

APNP-11-21-96 1537EST

THE WHITE HOUSE
WASHINGTON

November 13, 1996

MR. ~~PRESIDENT~~ PRESIDENT HAS SEEN

11/14/96

Secretary O'Leary wanted a quick response to her resignation letter. Leon has approved the language.

Phil Caplan

Leave her a copy of
her letter

Nancy - copy for the
~~President~~

TOVP - pretty impressive

THE PRESIDENT HAS SEEN

12-9-96

THE PRESIDENT HAS SEEN

12-2-96

Don Bolter
good account
of impressive memo

BC

BC



The Secretary of Energy
Washington, DC 20585

'96 NOV 13 PM1:02

THE PRESIDENT HAS SEEN

November 13, 1996

111419 L

The President
The White House
Washington, DC 20500

Dear Mr. President:

The voters have made it clear that our nation is, in your words of election night, not just better off, but *better* than we were four years ago. You have my congratulations on your election victory and my respect and admiration for your accomplishments.

It has been a privilege to serve the nation as your Secretary of Energy and to help set the stage for a new millennium. Thank you for entrusting me with the authorities and responsibilities to address critical national issues in:

- National Security
- Science and Technology
- Energy Resources
- Environmental Quality

With your support and that of the Vice President — and in collaboration with other agencies — we confronted these issues aggressively and achieved much:

- We provided the technical foundation and path-breaking science to end nuclear weapons testing, achieve a Comprehensive Test Ban Treaty and ensure the safety and reliability of the remaining arsenal.
- We pulled back the shroud of secrecy on the government's cold war activities and accepted accountability for its actions. By earning the public trust, we were able to make significant progress on cleaning up our weapons sites, stemming the international spread of nuclear weapons materials and introducing corporate business practices to the Department of Energy.



Printed on recycled paper

- We focused the talent at our National Laboratories to increase the diversity of the nation's energy supplies, improve energy efficiency and advance the development of renewable sources of energy. In partnership with industry, we won more R&D 100 awards, the "Nobel Prize for technology", than all other government agencies combined and more than twice as many as the top industrial winner.
- We improved the position of the United States in the global economic marketplace by promoting the expansion of clean energy and advanced technologies in a world whose new energy requirements in 2010 will be six times the present energy consumption of the United States and whose energy infrastructure growth will be \$4 trillion. A secure position in this market means new business and jobs at home and a healthier environment internationally.
- We turned the corner on remediation of the environmental legacy of the cold war by moving from study to actual cleanups of 744 waste sites at the nation's former nuclear weapons facilities, compared with the 68 that were cleaned up during the previous Administration. By analyzing the cost of these cleanups using health-based risk assessments, applying new technologies and seeking the participation of local communities, we reduced the projected cleanup cost from \$1 trillion to \$250 billion.
- We enhanced the utilization of our \$100 billion asset, the National Laboratories, by opening new facilities and expanding the availability of others to additional academic and industrial users. Broadened use has promoted economic competitiveness and created jobs. It supports scientists at the National Labs and Universities that are funded by the Department of Energy — an investment that resulted in four of the five 1995 Nobel Prizes in Chemistry and Physics and two of the three 1996 Nobel Prizes in Physics.
- We radically reformed the way the Department of Energy does business in support of the Vice President's charge to do more with less. We adopted performance-based contracting practices, privatized functions better provided outside of government, realigned our workforce and undertook the first comprehensive post-cold war look at the work of the National Laboratories. These changes will save the American taxpayers \$10.5 billion over a five-year period.

By the measures set forth in *The Secretary's Performance Agreement With The President*, the Department of Energy met 91 percent of its 1995 commitments and 90 percent of its 1996 commitments. These achievements were realized during a period in which we challenged our team to think and act differently through the most fundamental paradigm shift in the Department's history — full public accountability for its actions and the results that we promised.

For the past four years, I have given my complete attention to the responsibilities of Secretary of Energy. It is now time to advance the goals of your Administration with another individual. I take the greatest pride in the accomplishments of my colleagues at the Department of Energy, who have had the intellect, passion and strength to achieve the results promised, through often difficult times. Please accept my profound thanks for having been afforded the privilege of serving our people during this challenging period in our Nation's history.

With the confidence that our contribution has reflected well on your Administration, I hereby submit my resignation as Secretary of Energy, effective January 21, 1997.

Respectfully,



Hazel R. O'Leary

THE WHITE HOUSE

WASHINGTON

December 7, 1996

THE PRESIDENT HAS SEEN

12-9-96

MEMORANDUM FOR THE PRESIDENT

FROM: TODD STERN
PHIL CAPLAN
HELEN HOWELL

SUBJECT: Recent Information Items

We are forwarding the following recent information items:

(A) **Shalala memo on poverty.** Concerns recent poverty trends and the role the federal safety net has played in reducing poverty. She concludes that, although critics may discount the importance of federal safety net programs, they have played a major role in safeguarding poor children and families. Indeed, in 1995, more than 30 million people -- over half of all those who were "pre-transfer" poor (i.e., before factoring in taxes or government support) were lifted out of poverty by government benefits. She notes that, as the welfare reform act is implemented, we will need to look at the effects on poverty of a wide range of Federal and state policy changes. She suggests that, just as your first-term support for EITC expansion and an increase in the minimum wage aided the working poor, in the second term we will need to increase employment opportunities for low-income people and fix the food stamp and immigration provisions of the welfare law.

(B) **Gotbaum (Treasury) follow-up on real wages.** Via Rubin. You forwarded a recent Business Week article claiming that real wages are still falling based upon a report of the Economic Policy Institute. The article argues that the mix of jobs is getting worse and the average person is earning less. Gotbaum urges you to take the article with a grain of salt. There are a variety of measures of real wages -- many have shown an improvement since 1993, and some have not. "Overall, we believe that the fall has stopped and may have begun to turn up." He also notes that to the extent the CPI overstates increases in the cost of living, all measures of the growth in real wages reflected in this memo are understated.

JIM DORSKIND: ↑

Please coordinate the reply.

urged to spare poor the budget knife," Washington Times, November 28. ne. Bob Greenstein, director of the Center for Budget and Policy Priorities, t programs for the poor cannot afford further cuts while the two big middle-class nts continue to grow unchecked. "Sooner or later we'll have to come back and k at Medicare premiums." Greenstein also endorsed a 0.2 to 0.5% yearly in Social Security COLAs, and said the CPI change ought to be on the table. "If consensus that the CPI slightly overstates the cost of living, it is appropriate to into account."

JIM DORSKIND:

Please coordinate
the reply.

THE PRESIDENT HAS SEEN

12-7-96

*need
reply
meals
2 copies*
(P) **Memo from Jude Wanniski.** He has forwarded a May 6, 1939 essay by Walter Lippman, arguing that the problem with the conduct of American foreign policy is that the Congress and President do not cooperate adequately -- "no effective machinery of consultation now exists." Given the respective, interlocking constitutional roles of the Executive and Legislative branches, Lippman warns that the absence of such machinery could be dangerous. Wanniski also sent this memo to Trent Lott and New Gingrich.

*need
reply*
(E) **Sen. Leahy letter on your legacy and foreign policy.** Complimentary letter congratulating you on reelection and your Asia trip. He praises your commitment to democracy and the bold steps you've taken in Bosnia, Haiti, the FSU and Northern Ireland. He says more steps will be needed to preserve NATO, bolster the UN, face the reality of China, and lead the worldwide ban on the use of antipersonnel landmines.

*RTS WALKER:
EM DORSKIND:*
on November 27 suggesting that the White House expects Kenneth Starr to take action against present or former White House officials. She says she does not believe the Independent Counsel has any basis whatsoever for such action.

o received the following items:

Glickman thank you note. He thanks you for the pewter cup you sent him for his 52nd birthday. "I also appreciate the birthday gift of being allowed to participate in the APEC Manila conference, and for service in the Administration generally."

Letter from Don Henley re: Betsy Myers. Henley has known Betsy for many years and holds in her high esteem. "She brings great energy and dedication" to her position as Director of the Women's Initiatives and Outreach office.

JIM DORSKIND:

Please coordinate
the reply.

*Send to
Betsy*

12-9-96

THE WHITE HOUSE

WASHINGTON

MEMORANDUM TO THE PRESIDENT

FROM: STEPHANIE STREET & ANNE HAWLEY AH

SUBJECT: SCHEDULING DECISIONS

'96 DEC 6 PM 12:56

CC: EVELYN LIEBERMAN

ACCEPT

Date of Event:Description of Event:

12/9/96	Photo With Moroccan Crown Prince Sid Mohammed
12/10/96	White House Event For Human Rights Day During this event you will be making an announcement on the NATO Summit.
12/13/96	Press Conference
12/14/96	Live Joint Radio Address With the First Lady on Adoption
12/23/96	Visit With the Troops, North Carolina
12/24/96	Christmas Eve Telephone Calls to Members of the Armed Forces
1/9/97	White House Arts and Humanities Ceremony and Dinner
1/13/97	White House Medal of Honor Ceremony
Dec. / Jan.	Install the Boys and Girls Clubs of America "National Youth of the Year"

am I with to go with me?

12-9-96

late Jan.

Meeting With Secretary Perry and Senior Military Commanders, Pentagon

The purpose of this meeting is to discuss military issues of concern with the Armed Forces' senior Civilian and military leadership.

PENDING

Date of Event:

12/5/96 - 12/30/96

12/12/96

12/16/96 - 12/17/96

12/19/96 - 1/7/97

? 1/12/97

1/15/97

1/25/97

1/28/97

Description of Event:

Meeting With Small Group of American Jewish Leaders to Discuss the Middle East Peace Process

OPTION: Drop-By Meeting With President Isaias Afwerki of Eritrea

Meeting With 15 Democratic Mayors to Discuss Urban Policy and Transportation Issues

Meeting With Admiral Crowe

Admiral Crowe requested this meeting.

Dedication of the New Jewish Community Center, Washington, DC

Meeting With the President's Committee of of Advisors on Science and Technology

The purpose of this meeting is to discuss key S&T themes and issues for the Administration to address over the next four years in order for the country to remain economically competitive.

NOTE: Several members of this committee will be rotating off this committee in Jan. / Feb.

Alfalfa Dinner, Washington, DC

Speech to the Washington Press Club Foundation's 53rd Annual Congressional Dinner

REGRET

Date of Event:

12/5/96 - 12/6/96

Description of Event:

Photo With the President of the Fleet Reserve Association

Photo With Executives of the Military Order of the Purple Heart

Photo With the National Director of American Ex-Prisoners of War

Hershel Gober indicated that these photos were not critical at this time.

12/6/96

Drop by Catholic Health Association Board Meeting

HRC is already meeting with this group.

12/7/96

Drop by Children's Charities Foundation Breakfast

You will be departing for the Army/Navy game.

THE PRESIDENT HAS
12-7-96

THE WHITE HOUSE
WASHINGTON

'96 DEC 6 PM5:09

December 6, 1996

MEMORANDUM FOR THE PRESIDENT

From: Carol H. Rasco *CHR*

Subject: Report for November 27 - December 6, 1996

Scout

UPDATES ON KEY INITIATIVES

HEALTH CARE

Medicare and Medicaid -- Principals' briefings on Medicare and Medicaid were held to develop policy and budgetary options for consideration in the FY98 budget. Representatives from COS, OVP, OMB, DPC, NEC, CEA, and the Departments of Labor, HHS and Treasury participated in the briefings. An additional principals' meeting will likely be required to present baseline changes and to further narrow policy options.

CRIME AND DRUGS

Medical Marijuana -- DPC is working with ONDCP, DOJ, and other federal agencies to develop a comprehensive Administration response to the recent passage Propositions 200 and 215 in Arizona and California. Representatives from California and Arizona state government and law enforcement have been included in these discussions. Principals will discuss the issue at the December 12 Cabinet-level Drug Council meeting. The goal is to have a formal Administration statement by December 18. Issues which will need consideration include the extent to which the federal government will insert itself to enforce federal laws in the states, and an Administration strategy to address future propositions on medical marijuana in other states.

Drug Testing for Teen Driver's Licenses -- DPC staff is continuing to work with ONDCP, DOT and other relevant agencies as they prepare to respond to your October 19 directive on reducing teenage driving under the influence of drugs. The working group is reviewing options on drug testing teens for their driver's licenses, substance abuse prevention and treatment, and license revocation as a sanction for driving under the influence of drugs.

12-9-96

HOUSING

Main thing is to get town houses out there for people to buy. Would make a great story

Use of Federal Surplus Property -- DPC is working with OMB, HUD, GSA, DOD and HHS to explore options to make Habitat for Humanity and other self-help homeownership organizations eligible for federal surplus property. Rep. Boehner pushed this idea in amendments throughout last year; the Administration supported the concept, but opposed the specific amendments out of concern that Boehner's method would have eliminated the priority for homeless assistance use under current law. Habitat does not want to eliminate the priority for homeless, but is interested in becoming eligible to compete for federal surplus property if homeless providers choose not to apply for it. We are exploring whether current law already permits this activity and legislative options if it does not.

EXTERNAL ACTIVITIES

MEETINGS AND SPEECHES

I met with Watson Bell of Newport and his wife regarding transplantation issues. Both are very active with UNOS (United Network of Organ Sharing) as a result of her transplant and are concerned about the direction HHS is currently pursuing on transplantation.

I attended a meeting of the Kaiser Commission on the Future of Medicaid. The following day the Commission released a study on Medicaid expenditures across the nation.

I met with Ralph Smith of the Annie E. Casey Foundation and Frank Farrow to receive feedback on the child welfare paper DPC is developing.

At the opening reception of DPC's Partnerships for Strong Families Conference, I introduced the Vice-President, and on the following morning, I spoke to the Conference plenary.

I taped an NPR hour program for airing in 450 communities regarding a Self-Determination disability project sponsored by the Robert Wood Johnson Foundation. The project seeks to give people with disabilities and their families greater voice and control over the expenditure of funds for the person with the disability.

I gave the keynote address to the National Association of State Directors of Developmental Disabilities Services.

I gave welcoming remarks to a coalition of organizations who were instrumental in the fight to maintain the Medicaid entitlement.

I met with Arlie Hochschild of the University of California at Berkeley. Ms. Hochschild will be releasing a new book on work and family and has recently been awarded a grant to establish a work and family institute at U.C. Berkeley.

On Friday, I participated in a teleconference on youth development led by HHS for the Empowerment Zones and Enterprise Communities.



EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL ON ENVIRONMENTAL QUALITY
WASHINGTON, D.C. 20503

THE PRESIDENT HAS SEEN
12-9-96

'96 DEC 6 PM 8:59

December 6, 1996

MEMORANDUM FOR THE PRESIDENT

FROM: KATHLEEN A. MCGINTY

CC: LEON PANETTA
ERSKINE BOWLES

RE: CEQ WEEKLY REPORT

HEADWATERS

On Thursday, December 5, we provided Charles Hurwitz with a list of federal assets potentially to be exchanged for Headwaters Forest and adjacent old growth redwoods and buffer areas. As noted in earlier memos to you, this action was taken to fulfill our first obligation in implementing the September 28th agreement. The asset list is limited to California properties, and includes: approximately 3,000 acres of Bureau of Land Management timber lands; federal and oil gas interests; excess land adjacent to a federal office building in Laguna Niguel; and 7,775 acres of the Elk River Timber property (which we intend to acquire from Red Emmerson of Sierra Pacific Lumber). The State of California also provided its list to Mr. Hurwitz, which includes over 50 single properties. Neither property list provides valuations. If Mr. Hurwitz does not reject the lists, we will try to agree jointly to appropriate appraisal procedures in the next 10 days, and then proceed with the appraisals. As of Friday afternoon, we have not heard back from Mr. Hurwitz.

You had expressed concern in an earlier note to me that we must meet this deadline in a way that demonstrates our good faith in continuing to work with Mr. Hurwitz. With herculean effort, I believe we met that task here. I visited with Tommy Boggs today who is representing Mr. Hurwitz and he expressed his satisfaction that the suggested assets looked solid. We still face huge obstacles here, however. It will be an uphill battle to have Congress approve these asset exchanges. Moreover, if it turns out that the value of these assets is insufficient to meet our obligations to Mr. Hurwitz, we face the prospect of attempting to secure up to \$250 million in appropriations.

Press coverage has been fairly positive -- straight reporting and no allegation that our effort here was insufficient. So far, environmentalists have not indicated displeasure with the lists, although some properties may raise concerns just by their very nature, particularly the National Forest lands in the Sierra Nevadas. I have attached several articles for your review.

THE PRESIDENT HAS SEEN

12-9-96

WETLANDS: NATIONWIDE PERMITS

As reported in today's Washington Post, the Army Corps of Engineers (the Corps) is expected to finalize and reissue its 40 "nation-wide permits" (NWP) soon -- probably by the end of next week. These NWP authorize limited filling of wetlands in the course of certain activities (e.g. single family home construction) without the need for an individualized permit.

These NWP are an essential part of your wetlands reform initiative and are necessary to facilitate development. For example, your wetlands reform relieving small landowners of the need for an individualized permit was put into place through the NWP program (NWP 29). But one of the current permits (NWP 26) was written so broadly when it was issued by the Bush Administration that it authorizes excessive wetlands loss (tens of thousands of acres each year). About half the states have denied water quality certification for NWP 26 for this reason. If re-issued without changes, this permit also would create significant litigation risk if (as expected) environmental groups challenge the NWP permit program. For this reason, your 1993 wetlands reform initiative committed us to taking a "hard look" at NWP 26.

Consequently, the Corps is revising NWP 26 substantially in order to reduce potential wetlands loss and is planning to replace the permit within two years with a new set of activity-based NWP. These replacements will be more protective, but also more broadly applicable than current NWP. This approach does not go far enough to satisfy environmental groups, who are pressing to have NWP 26 revoked altogether. This approach also will anger builders, developers, and property rights activists, who say NWP 26 is necessary to avoid the burdensome individualized permit process for construction projects. These groups will cite the Corps' actions as the basis for renewing their efforts to roll back wetlands protection legislatively. However, we believe this approach strikes a good balance between competing needs.

The revised NWP issued will go into effect in February.

OZONE/PARTICULATE MATTER STANDARDS

As you know, EPA's proposed rules on air quality standards for ozone and fine particles were published on November 27. Public comment will be accepted during the next 60 days. CEQ, OMB, and NEC are working to establish a process by which White House policy offices and interested agencies can work with EPA on the final rules. This effort should ensure that data gaps are filled, and provide the best opportunity for finding a consensus on the final rule in advance of EPA's formal presentation of that rule to OMB for White House clearance.

CLIMATE CHANGE NEGOTIATIONS

The next climate change negotiating session begins in Geneva on December 9th. The U.S. position for this meeting attempts to build on the basic framework we proposed at the Second Meeting of the Parties held last July. At that time we proposed that an agreement should be based on legally binding, medium term targets, that there be national flexibility in

12-9-96

implementation, and that actions by developing countries must be part of any agreed solution. In July, we also rejected proposals by other nations for short-term targets and for inflexible policies and measures.

We will present a paper at this meeting that has been cleared through an NEC/CEQ Deputies process. The paper provides greater detail on key elements of our proposed framework. We support a multi-year target, with the use of emissions banking and possibly borrowing between periods, as a more flexible, cost-effective alternative to a single year target. The paper also provides more details on emissions trading, presents a range of options for actions by developing countries, and discusses approaches to monitoring compliance. Since our analysis is on-going, we do not yet propose any specific target or timetable for CO₂ emissions reductions.

We expect mixed reviews from this position. Environmental groups will oppose our position that rejects any binding targets before 2010. Some industry groups remain opposed to any agreement. They will argue that we are not asking enough of developing countries and that medium term targets are not needed and are too costly. Overall, we believe the paper provides a balanced approach to a challenging problem.

MAHOGANY IN THE AMAZON

This week several environmental groups asked you and the Vice President to save the Amazon rainforest by protecting endangered mahogany wood. The United States over the past five years has become the largest importer of mahogany wood. In March of 1992 Japan, Costa Rica, and the United States separately proposed that bigleaf mahogany be listed in Appendix II of the Convention on International Trade in Endangered Species (CITES). The listing would require that exporting countries first issue permits certifying that exports are not detrimental to the species and come only from legally obtained timber. At a CITES conference in 1994, the issue was voted on but failed to receive the required two-thirds majority. The United States, European Union countries and many Latin American states voted in favor of the listing but the listing was strongly opposed by Brazil, Bolivia, and Peru. Environmental groups are asking the U.S. to push for a vote again at the next CITES conference in June of 1997.

FRIDAY, DECEMBER 6

U.S., State Offer 'Basket' of Assets for Redwoods

By FRANK CLIFFORD
TIMES ENVIRONMENTAL WRITER

Showing their hand in the high-stakes negotiations over the Headwaters Forest, the Clinton administration and the state Thursday offered to swap assets including prime oil and gas leases in Kern County and 10,000 acres of national forest in the Sierra for 3,500 acres of ancient coastal redwoods.

The federal offer for the North Coast forest includes other national forest land in California and 30 acres of real estate in Laguna Niguel adjacent to the Chet Holifield Federal Office Building. The state's companion list of offerings includes the 9,000-acre LaTour State Forest in Shasta County, San Francisco's Transbay Bus Terminal, an Inglewood office building and property around the state.

The state and federal offers represent the first step in carrying out a controversial agreement to pay Texas financier Charles Hurwitz the equivalent of \$300 million in return for a portion of the last significant expanse of virgin redwood still in private hands.

Deputy Interior Secretary John Garamendi said that the offers represent "a market basket" from which Hurwitz could choose what is most appealing. In all, about 7,500 acres of the Headwaters Forest, including some less valuable second-growth timber, would become part of a public preserve as a result of the deal.

"We have come up with a definitive list of assets that we expect will satisfy him [Hurwitz]," said Garamendi. But in the course of a press conference, Garamendi also said he anticipated "considerable debate" over the federal assets being offered. Some properties might be added or subtracted from the list, he said.

Douglas P. Wheeler, California's secretary for resources, said the properties offered by the state were worth at least \$200 million and were on a list of surplus assets that "no longer serve a public purpose" and would have been available for sale. He said he had not discussed any of the properties with Hurwitz.

Even if Hurwitz agrees to the offers, both Congress and the California Legislature will have to sign off on the deal.

"The people will have to decide," Wheeler said when asked whether a slice of the Headwaters is worth giving up so much property.

The deal has little support among the environmental groups that are behind the decade-long struggle to save the Headwaters. They argue that the public should be getting a larger piece of the forest, in particular 3,000 additional acres of ancient redwoods. Moreover, they contend that Hurwitz ought to be forced to give up the entire forest in order to settle two lawsuits pending against him over the \$1.6-billion failure of a Texas thrift in 1988.

Hurwitz' company, Houston-based Maxxam Inc., responded to the federal offer Thursday with a terse statement saying Garamendi's property list had been received and would be reviewed. The statement suggested displeasure that the list contained no appraised values.

"We're not in a position to respond until we get a more complete package that includes appraisals," said Maxxam spokesman Robert W. Irelan.

The offer includes federal property with producing oil and gas wells in Kern County, the county responsible for about 55% of the state's onshore oil production. Garamendi estimated the value of the property at about \$200 million.

In addition, Garamendi said the federal government is offering Hurwitz 2,967 acres of second-growth forest land in Humboldt, Mendocino and Trinity Counties in northern California.

As part of the complex deal, Hurwitz would get another 1,755 acres of privately owned Humboldt County forest land next to the Headwaters. The federal government would compensate the owner of that land with 10,000 acres scattered across the Sierra in four national forests: Plumas, Tahoe, Stanislaus and El Dorado.

Garamendi said the acreage did not contain old-growth timber or federally protected habitat of the California spotted owl.

"We are not creating one environmental problem in order to solve another," Garamendi said.

The Headwaters became an environmental cause celebre in 1986 when Hurwitz, with the help of junk bond impresario Michael Milken, engineered a hostile takeover of Pacific Lumber Co., the firm that owned the forest for more than a century.

To pay off the bonds issued to gain control of the company, Hurwitz announced that all of the ancient redwoods would be logged by 2007.

Among the oldest and tallest trees in the world, the Headwaters' redwoods are clustered in a half-dozen groves in a fog-shrouded forest near Eureka. The prospect of their destruction inspired a passionate campaign of protest and civil disobedience that culminated in the current effort to preserve a portion of the forest.

The state's list of possible assets to be swapped ranges from vacated conservation camps in Contra Costa and Sonoma counties to a dog training facility in South Lake Tahoe and an empty California State University dormitory in Stanislaus County.

According to Wheeler, the most valuable parcels are 110 acres of waterfront land in Eureka and 1,100 acres of undeveloped land near Chino. But the list also includes office buildings in Oakland, Long Beach and San Diego and property in El Segundo, Glendora, South Los Angeles, Anaheim, Costa Mesa, Barstow, Napa, Walnut Creek, Redding and several other communities.

Starting with \$17,000 in the mid-1980s, Hurwitz began his career as a stockbroker and eventually built an international conglomerate based on natural resources and real estate. By the early 1990s, he controlled companies worth a reported \$3.2 billion.

Known variously as a colorless executive and a relentless adversary, he captured the spirit of the corporate takeover era of the 1980s when he gave his version of the Golden Rule to employees of Pacific Lumber.

"He who has the gold rules," Hurwitz said, though he later insisted that the remark was a joke. But environmentalists seized on it. For them, it said it all about the Texas wheeler-dealer who became the man the green community loved to hate the most.

U.S. and California Offer \$380 Million in Property for Redwoods

By TIM GOLDEN

SAN FRANCISCO, Dec. 5 — The Federal Government and the State of California today offered oil and gas fields, timberland and other properties worth at least \$380 million in return for a grove of Northern California redwoods that is the largest old-growth forest of its kind left in private hands.

The offers are a scheduled but important step in the implementation of an agreement reached on Sept. 28 between the Interior Department, state officials, and Maxxam Inc., of Houston, the holding company that controls a large portion of the redwoods, known as the Headwaters forest, through a California logging subsidiary.

The two sides have been in negotiations for months about what the Federal Government might trade for the redwoods. But Federal officials were still fiddling with their part of the proposal, for \$250 million worth of properties, right up to the moment it was issued. And no sooner was it made public this afternoon than Maxxam representatives began complaining that it lacked any specific values for the assets being put on the table.

"We really can't respond until we get a package of properties with ap-

praisals," a spokesman for the holding company, Robert W. Irelan, said.

The provisional agreement hammered out last fall allows Maxxam to abandon the deal 10 days from now if it is not satisfied. Mr. Irelan said he would not comment on how the company might proceed.

The Deputy Secretary of the Interior who negotiated the accord last fall, John Garamendi, said in a telephone news conference from Washington that the bulk of the Federal contribution for the forest would come from a collection of about 400 leases on the rights to oil and natural gas wells that the Federal and state governments own jointly in California. The on-shore fields, which are being tapped by private exploration firms, brought about \$25 million to the Federal Treasury last year alone.

The Government is proposing to go through the leases one by one, concentrating on a group in Kern County, on the southern edge of California's Central Valley, until it can agree with Maxxam and its chairman, Charles E. Hurwitz, on a set that would be worth about \$200 million over the lives of the leases.

Mr. Garamendi suggested that the process ought to be relatively easy. The geology of the area is well-known, he said, and the fields are already producing. But he also acknowledged that Maxxam would be taking bets on how the wells do in the future that could ultimately bring more or less than the amount of money agreed upon in the deal.

In addition to the underground resources, Mr. Garamendi said the Government had offered Mr. Hurwitz about 30 acres of vacant land next to a Federal building in Laguna Niguel, Calif., in Orange County, and

nearly 3,000 acres of timberlands that the Bureau of Land Management owns in Humboldt County, near the Pacific coast just south of Oregon. He said the timberlands were not important habitats for endangered species and had for the most part already been approved for trades on environmental grounds.

The California state government, which must contribute assets of its own worth another \$130 million, put forth a list of 33 more "surplus" properties ranging from several parking lots and a food-testing laboratory to a rock quarry in Napa County and a maintenance station on

The deal agreed to in September calls for the Federal government to acquire 7,500 acres of redwood groves in the Headwaters and Elk Springs forests, about 15 miles east of Eureka in Humboldt County. By the end of July, Maxxam's subsidiary, the Pacific Lumber Company, must also agree with the authorities

on a habitat conservation plan for 207,000 more acres of timberlands the company owns elsewhere in Humboldt.

The Federal official in charge of implementing the agreement, E. Thomas Tuchmann, said this afternoon that as a secondary part of the deal, the Government had identified about 17,000 acres of available timberlands in four forests in Northern California, from which it hopes to take about 10,000 more acres. Those lands are to be swapped for 9,600 privately owned acres adjacent to the Headwaters. These redwoods must also be turned over to Pacific

Lumber under the accord.

Neither Mr. Tuchmann nor Mr. Garamendi would specify the public lands in the proposed exchange.

All of the government-owned properties involved in the accord would have to be cleared for trade as part of an environmental-impact assessment that is another condition of the deal. But national and local environmental groups, which have criticized the arrangement since it was announced, joined Maxxam this afternoon in taking the Government to task for failing to provide specifics.

"The fact of the matter is, nobody yet knows just what it is that they're putting up for trade, or where it is, or what impact it will have," said Cecilia A. Lanman, the program director

for the Environmental Protection Information Center in Garberville, Calif. "It's a pretty fragile deal to start with, and it's hard now to know where it is going."

Two Federal officials said that just before Mr. Garamendi issued his offer to Maxxam, he scratched one of the more enticing items off his list of offerings, a pair of proposed hotel sites on Treasure Island in San Francisco Bay.

One of the officials said the sites, which were thrown into the mix at the suggestion of Mayor Willie L. Brown of San Francisco, Jr., were ruled out after objections from officials of the Navy, which is to give up its base on the island next September.

South Lake Tahoe that is currently being used as a dog-training center.

The state's list, while apparently more detailed than that of the Federal government, was also without appraised values for the assets. State officials said that the properties were worth more than \$200 million.

An important step to preserve forest land in Northern California.



NATIONAL COUNCIL ON DISABILITY

An independent federal agency working with the President
inclusion, independence, and empowerment of all Americans

(Todd has seen) 12-9-96

Send to Donald
for reply?

Yes ✓

No _____

CC:
Carol Pasco
Diana Fortuna

November 15, 1996

William J. Clinton
The President of the United States
The White House
1600 Pennsylvania Avenue, NW
Washington, DC 20500

Dear President Clinton:

We are writing as your team of senior appointees with disabilities to congratulate you on your reelection and to thank you for allowing us to carry forward your vision of inclusion, independence and empowerment for all people with disabilities for the last four years. We have begun to make progress in realizing your vision and in moving federal disability policy forward because you picked a Cabinet that shares your commitment to civil rights and expanding opportunities for the 49 million Americans with disabilities.

We believe that we have laid a foundation for progress in the first term, but in order to build upon that foundation we must have a Cabinet that will continue to integrate the needs of people with disabilities into its policies and programs. With this in mind, we respectfully urge you to direct your staff to ensure that new Cabinet positions are filled with individuals who share your vision for disability policy. By assessing the disability policy perspectives of potential candidates prior to announcing their candidacies, your staff can safeguard the progress we hope to continue to make in disability policy in the second term. With a new team committed to independence, empowerment and inclusion for all people with disabilities, we will be able to work together to ensure that the bridge to the 21st century is accessible!

Thank you again for the confidence you have shown in us, and for the leadership you have demonstrated in building an inclusive administration and society.

Sincerely yours,

Marca Bristo, Chairperson
National Council on Disability

Thea Spires
Special Assistant to the Secretary on
Disability Policy
Department of Housing and Urban
Development

John A. Lancaster
John A. Lancaster
Executive Director
Presidential Committee on Employment of
People with Disabilities

Susan Daniels
Susan Daniels
Associate Commissioner
Office of Disability
Social Security Administration

Katherine D. Seelman
Katherine D. Seelman
Director
National Institute on Disability and
Rehabilitation Research
Department of Education

Tom Hehir
Tom Hehir
Director
Office of Special Education Programs
Department of Education

Judy Heumann
Judy Heumann
Assistant Secretary for Special Education
and Rehabilitative Services
Department of Education

Bob Williams
Bob Williams
Commissioner
Administration on Developmental Disabilities
Department of Health and Human Services

Michael Winter
Michael Winter
Special Assistant
Office of Intermodalism
Department of Transportation

Paul Steven Miller
Paul Steven Miller
Commissioner
Equal Employment Opportunity Commission

Fred Schroeder
Fred Schroeder
Commissioner
Rehabilitation Services Administration
Department of Education

Hazel Henderson



16dd has seen) 12-9-96
Send to Dossland for
reply?
Yes ☒
No ☐

astasia Island
. Box 5190
Augustine, FL 32085
4) 829-3140
December 4, 1996

President Bill Clinton
Office of the President
Attention: Betty Curry
The White House
Washington, D.C. 20500-2000

coordinate w/USCP
Yes ☒
No ☐

16 DEC 9 AM 11:42

Dear Mr. President:

I have just returned from several seminars at the European Commission and a Conference on the effects of globalization, hosted by four German scientific institutes and President Johannes Rau of the Lander of Rhine Westphalia.

I gave out several hundred copies of the enclosed full-page advertisement in the *New York Times*, paid for by the Global Commission to Fund the United Nations. I serve as a Commissioner and President of its Board and co-edited its report, *The United Nations: Policy and Financing Alternatives*, Elsevier Science UK, London, 1995 (see U.S. edition enclosed). I listened to the dismay of many of these Europeans at the new "crazy uncle" role the U.S. is now seen to be playing in the world.

I know you understand how the recent election exacerbated the many distortions of the Republicans about foreign policy and the United Nations. The election is over now. You have your four more years to correct the misrepresentations of Bob Dole and Jesse Helms and the idiocy of the Helms-Burton Act--all major concerns in Europe.

You could still end the vendetta against United Nations Secretary General Boutros-Boutros Ghali and thus mitigate the embarrassment over the U.S. recent veto cast by Ambassador Albright in the Security Council against his reappointment--which further isolated us from our allies.

The U.S. is playing with fire in its mindless recalcitrance vis-a-vis the U.N. The outcome may be that our allies and most of the other 184 countries could simply call our bluff. If the U.S. pulls out, let us make no mistake, **the U.N. will continue without us**. This is clear to me from the position of the 16-nation Carlson Group, as well as from the anger and outrage I heard in Europe last week.

The "lose-lose" game the U.S. is playing with the U.N. is unthinkable dangerous and self-defeating. Please don't allow it to continue. Please demand that your State Department compromise on giving Boutros-Boutros Ghali an additional year or two in order to avoid a much worse outcome. And please face down the Republicans in Congress by reaching out to most of the American people who still don't want the U.S. to end up in isolation as the world's policeman.

With warmest wishes to you and Mrs. Clinton from your loyal friend and supporter,

Hazel Henderson
Author, Futurist, and Commissioner,
Global Commission to Fund the United Nations
1511 K St., NW, Washington, DC 20005

- Enclosures:
- 1) Full-page advertisement, "Who Should be the World's Policeman?" *New York Times* (Sept. 26, 1996).
 - 2) *The United Nations Financing Alternatives*, eds. Harlan Cleveland and Hazel Henderson, et al. Global Commission to Fund the U.N.

THE UNITED NATIONS:
POLICY AND
FINANCING
ALTERNATIVES

*Innovative Proposals
by Visionary Leaders*

EDITORS:

HARLAN CLEVELAND
HAZEL HENDERSON
INGE KAUL

THE FIRST REPORT OF THE GLOBAL COMMISSION
TO FUND THE UNITED NATIONS

THE WHITE HOUSE
WASHINGTON

12-9-96

Todd,

The enclosed is referred for
your information.

G. Thomas for

G. Timothy Saunders
Executive Clerk

*- we have sent copy to Dorskind
for reply*

United States Department of State

**Assistant Secretary of State for
Near Eastern Affairs**

Washington, D.C. 20520-6258

December 5, 1996

'96 DEC 9 PM3:34

Clark
12/9/96

Dear Mr. President:

I hereby offer my letter of resignation as Assistant Secretary of State for Near Eastern Affairs.

It has been an honor to serve in this challenging position during the past three years. I am especially grateful to have had the opportunity to work with you and with Secretary Christopher in the search for peace and stability in the Middle East. Our goals have been clear and our leadership and influence respected throughout the region. Our nation has promoted peace, preserved stability, fought back against terrorism and steadily improved the ground for U.S. business. In my 35 years in the Foreign Service of our nation, no period has seen more achievement. I know that under your leadership and inspiration this progress will continue.

Thank you, Mr. President, for all your support during this very rewarding assignment. It has been a rich and memorable experience.

Sincerely,



Robert H. Pelletreau

The President,
The White House.

THE WHITE HOUSE
WASHINGTON

December 9, 1996

MR. PRESIDENT,

A response is being prepared
for the attached letter to
Martin Kamarck.

Todd Stern

196768

12/9/96

clerk

FBI

J. Donald

FBI



196765



PRESIDENT AND CHAIRMAN

EXPORT-IMPORT BANK
OF THE UNITED STATES

96 DEC 9 3:34 PM

December 3, 1996

The President William J. Clinton
The White House
Washington, D.C. 20500

Dear Mr. President:

I am writing to respectfully request that you not consider me as a candidate for reappointment as President and Chairman of the Export-Import Bank of the United States. As the Congress prepares to review the Ex-Im Bank's charter next year, it is important that no tangential issue distract from our important work in creating American jobs and economic opportunities.

It has been a great personal honor to serve in your Administration, and in this agency which has been critical to the success of the National Export Strategy. The goal which you set four years ago of aggressively promoting export opportunities for U.S. workers and businesses has resulted in the creation of hundreds of thousands of new, high wage jobs and vast new markets for our products and services. The Ex-Im Bank has set an unprecedented level of performance during the past few years, and you can be confident that we have forged a team that can and will continue this momentum.

I have been proud to work with my superb colleagues on Ex-Im's Board of Directors and the many fine individuals who make up the Bank's career staff. They embody the best traits of public service: commitment to service, excellence in job performance, and a work ethic that puts the interests of the people they serve first.

Thank you for this extraordinary opportunity to serve the country and lead the Ex-Im Bank during this period of redirection and growth. With your continuing support, I will work to ensure that our crucial efforts to sustain and increase U.S. jobs continues, and I look forward to assisting in the recruitment of the best possible candidates for nomination as Chairman and Vice Chairman.

With best personal regards.

Sincerely,

Martin A. Kamarck

Baer

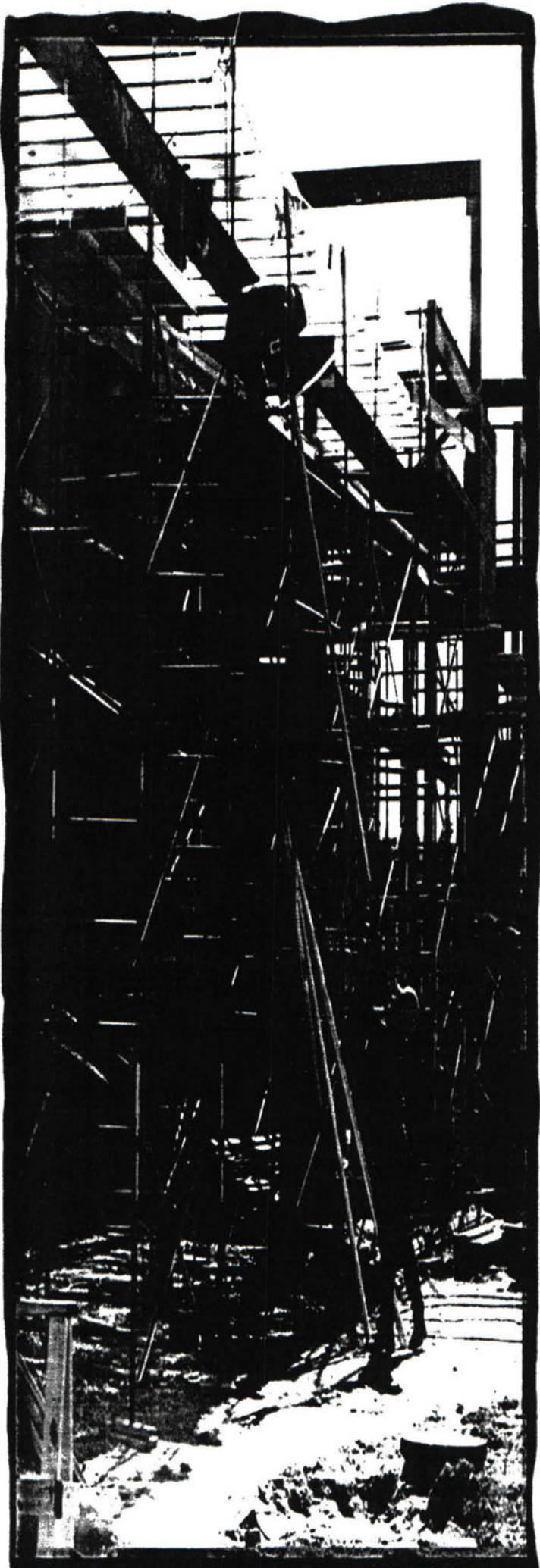
12-9-96

Some interesting
stuff - possibly
useful - Baer

COMMUNITY DEVELOPMENT

HUD

means **JOBS**



A Report on the Economic
Development Activities in
HUD's Office of Community
Planning and Development

GOVERNMENT'S WORKING

NEIGHBORHOOD

BY

NEIGHBORHOOD

BLOCK

BY

BLOCK

TABLE OF CONTENTS

Preface.....	i
Executive Summary	1
I. Introduction	2
Jobs Created	
II. Overview of CPD Initiatives:	4
Retooling the System	
■ Economic Development Loan Fund (Section 108)	
■ Economic Development Initiative (EDI)	
■ Enhancing Access to Capital: the Community and Individual Investment Corporations	
■ Implementing a New Approach through Empowerment Zones/Enterprise Communities	
■ Revising Regulations and Streamlining Programs	
■ Leveraging Additional Funds	
■ Assessing the Results	
III. Putting the Tools to Work	7
■ Community Development Lending	
■ Revolving Loan Funds	
■ Commercial Revitalization	
■ Job Training	
■ Industrial Retention and Manufacturing	
IV. Tools for Economic Development:	11
Individual Programs	
■ Economic Development Loan Fund (Section 108)	
■ Economic Development Initiative (EDI)	
■ Community and Individual Investment Corporation	
■ Empowerment Zones	
■ Revising and Streamlining Regulations	
• CDBG	
• UDAG	
■ Youthbuild	
V. Economic Development Best Practices	21

U.S. Department of Housing
and Urban Development
Henry G. Cisneros, Secretary

Office of Community Planning
and Development
Andrew Cuomo, Assistant Secretary

November 1996

PREFACE

Four years ago, President Clinton and Vice President Gore outlined a new vision of urban revitalization through empowerment and job creation. Today, the economy has exceeded expectations by generating ten million new jobs, and interest rates and unemployment are at one of their lowest points in the past 25 years. HUD has been working to help our nation's cities participate in this economic growth and make the transition to the new global, information-based economy.

During this period, HUD's Office of Community Planning and Development (CPD) developed a new economic development thrust that works to catalyze private sector growth in distressed communities all across the country. CPD has focused on a range of economic activities from commercial revitalization, small business loans and waterfront development to community development banks.

Rather than just spending more federal dollars, CPD took a series of steps to use federal loans and grants as seed money to leverage billions of dollars in private economic activity and investment. A key element of this strategy was the creation of a new economic development program, the Economic Development Initiative (EDI), that used \$369 million in grants to leverage both public and private investments. These grants were used in conjunction with a "reinvented" Economic Development Loan Fund (Section 108 Loan Guarantee Program) that generated \$3.2 billion in guaranteed loans and an even larger amount in private economic activity. Grants and loan guarantees from CPD programs financed a dramatic expansion of job creation and small business activity through a series of innovative small business loan funds and community development banks in communities throughout the United States.

In addition, 72 urban Empowerment Zones and Enterprise Communities received tax incentives and federal grants for integrated economic, human, and physical revitalization of distressed areas. Also, regulations for existing programs were streamlined to focus on creating more economic development and job creation opportunities.

The results of this activity are impressive: when thousands of CPD-funded projects across a wide range of programs are completed, approximately 1.4 million jobs will have been created. What is striking about these data is that the economic development jobs created from 1993 to 1996 exceed by 240,000 the number of jobs created by these programs over the previous four-year period (1989 to 1992). These jobs were created at a lower cost per job to the taxpayer. Many were created at almost no cost to taxpayers because of the dramatic expansion of the loan guarantee program.

This formula of doing more with less points the way for innovative means of using scarce government resources in leveraging private investment to build strong urban economies.

Andrew Cuomo
Assistant Secretary

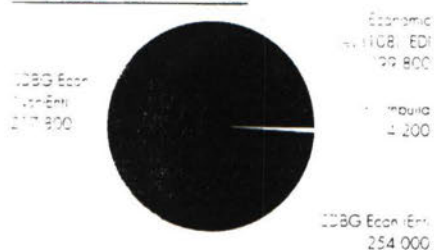
The new approach
is working. Between
1993 and 1996,
CPD funded
projects that will
create or retain
an estimated
1.4 million jobs.

EXECUTIVE SUMMARY

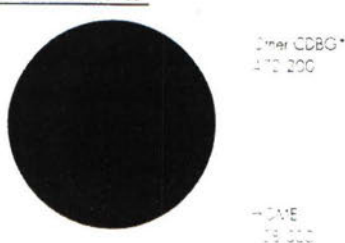
During the past four years, the economy as a whole has grown steadily; inflation and unemployment have remained low; poverty has dropped for two years in a row; the number of persons dependent upon welfare has dropped; and over 10 million new jobs have been created. However, even in this growing economy, many of our center cities and old industrial suburbs face enormous challenges. The urban economy is undergoing a radical transformation, from the old manufacturing, industrial base to the new information services, high technology economy. These massive changes have resulted in increased disparities in average family incomes: the bottom 60 percent of the families saw their real incomes fall from 1979 to 1993; the top 5 percent have increased their incomes substantially.

CPD Economic Development 1,406,000 Jobs Created or Retained FY 1993 - FY 1996

Economic Development Programs
775,000 Jobs Created or Retained

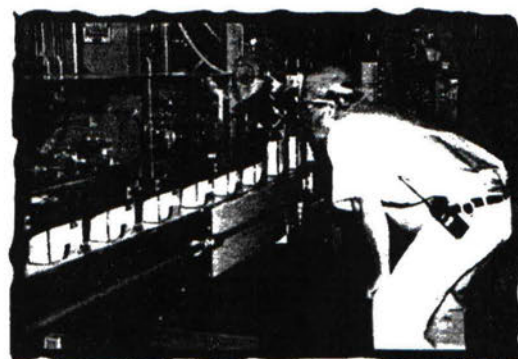


Other CPD Programs
631,000 Jobs Created or Retained



As a response to these challenges, President Clinton stressed *jobs* as the foundation for urban revitalization. Vice President Gore and Secretary Cisneros have advocated empowerment through *economic independence*. Following these themes, over the past three years, HUD's Office of Community Planning and Development (CPD) has made great strides in promoting economic development as a central component of community planning and development.

The new approach is working. Between 1993 and 1996, CPD funded projects that will create or retain an estimated 1.4 million jobs.¹ (See Exhibit 1.) A substantial portion of these jobs has been created in distressed cities and are for low- and moderate-income residents of these cities. Of the total jobs created or retained, an estimated 775,000 will have been created or retained through CPD's economic development pro-



Providing job opportunities is one of CPD's most important missions.

grams. This represents an almost 50 percent increase in the number of jobs created by the economic development programs during the preceding period (1989-1992).

This result has been largely achieved by an overhaul of the CPD approach to economic development. CPD reinvented existing programs, streamlined regulations, created new initiatives, and pioneered creation of new empowerment initiatives.

The efforts include over \$2 billion in loan guarantees in FY 1994 and FY 1995 under the reinvented Economic Development Loan Fund (Section 108), with \$369 million in grants from the newly created Economic Development Initiative (EDI). This \$2.3 billion has leveraged an estimated \$4.7 billion in private sector funding. A sample of 40 loan guarantee projects leveraged an average of 2.5 dollars for every federal dollar in grants or loan guarantees.

A striking feature of the EDI/Economic Development Loan Fund initiative is its support of community loan funds: in 1994 and 1995, 48 percent of all EDI/Loan Fund awards supported a range of community development loan funds and programs, including community development banks and revolving loan funds.

From 1978 to 1995, CPD guaranteed \$4 billion in loans for economic development activities. Not one of the loans has defaulted. Not one dollar in public funds has been spent to cover the loans.

CPD has also made the \$4.6 billion Community Development Block Grant program (CDBG) and the \$1.5 billion HOME Investment Partnerships program more effective as job generators. In addition to these efforts, future impacts should be felt by newly created Community and Individual Investment Corporations (CIICs), which will provide on-going credit for small business development that will be funded in a 1996 EDI funding round. Also, Empowerment Zones and Enterprise Communities (EZ/ECs) are beginning to see results in the form of new and expanded businesses and jobs.

The University of Louisville evaluated the core CPD economic development programs — the Economic Development Loan Fund (Section 108) and EDI grants — and determined that they are working. The study concludes that the program has produced real results over the past four years: "(T)his analysis suggests that the EDI grant program has not only enabled many more communities to take advantage of the long-term flexible funding available through the Economic Development Loan Fund (Section 108) guaranteed loan program, but also that the two programs have performed well in generating jobs and boosting the economies of hard hit urban areas. The EDI/Loan Fund program is an outstanding illustration of the efficient, productive use of federal funds."



CPD has helped create jobs by providing financial assistance to inner city entrepreneurs.

*From 1978 to 1995,
CPD guaranteed
\$4 billion in loans
for economic devel-
opment activities.
Not one of the
loans has defaulted.
Not one dollar in
public funds has
been spent to cover
the loans.*

I. INTRODUCTION

Historically, American society has been based on an implicit and simple social contract: "If you work hard, you will get ahead." Undergirding this contract was the belief that economic growth benefits all groups: "A rising tide lifts all boats."

In fact, between 1950 and 1978, every income class of Americans benefited broadly from the nation's overall economic growth. Those in the bottom 20 percent of wage earners actually saw their incomes rise faster than those in the top 20 percent during that period.

But there was a sudden change in direction on the long road of constantly improving material conditions for most citizens. Between 1979 and 1993 the real incomes for the bottom 60 percent of families actually fell in constant dollars, with those at the bottom suffering the steepest decline. On the other hand, the top 40 percent experienced rising incomes. Between 1977 and 1989 the top 5 percent increased their annual incomes by 29.1 percent, while the top one percent saw their incomes increase by 102.2 percent.

A number of Administration initiatives are aimed at addressing these problems. They include the Earned Income Tax Credit for those employed in low-wage jobs, as well as a boost in the minimum wage. For those affected by layoffs and increased job insecurity there are many programs designed to provide education, training and retraining of both the chronically unemployed and workers laid off by companies.

The biggest impact on community revitalization should be achieved through an integration of job creation activities with the development of affordable housing, manpower training, and transportation. The creation of jobs integrated into a comprehensive strategy is important because jobs are the engine of community revitalization. Putting people to work is the first step toward restoring dignity. Even excellent job training will not compensate for lack of access to suitable jobs. With the recent welfare reform legislation, the need for jobs is greater than ever before in distressed areas.

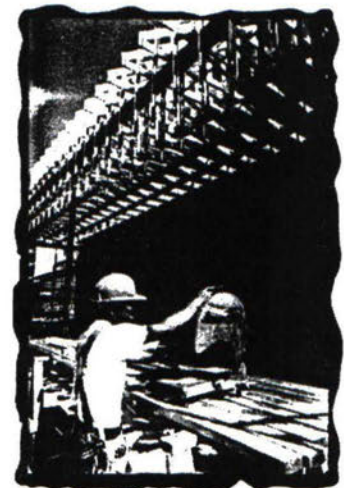
CPD's programs have begun to realize their enormous potential for directly creating jobs, providing assistance to for-profit businesses, rehabilitating commercial buildings, and building the infrastructure required to promote business development. They are designed to exploit the newly-recognized "competitive advantage" or "location efficiency" of the inner city. This advantage can be a key weapon in reducing wage disparities and boosting local economies. Cities are particularly well positioned to take advantage of the emergence of "cluster" economies, which rely on the close proximity of businesses and supporting institutions and on tight-knit social networks to succeed. Another approach is to integrate center city economic development activities more closely with regional metropolitan economies.

Jobs Created

Between 1993 and 1996, CPD made possible economic development projects to create or retain an estimated 1.4 million jobs.¹ Because of the time lag from allocation of funding to actual construction and expenditure of funds, these jobs will be created over a number of years. Of the total jobs created or retained, an esti-



The EDI/Loan Fund program is leveraging private and public funds to help cities across the country build shopping centers, grocery stores, and other businesses.



The growth of EDI/
Loan Fund jobs
reflects a nine-fold
increase in loan guar-
antee commitments
during this period,
from just \$229 mil-
lion in 1993 to \$350
million in 1994, to
\$1.85 billion in 1995.

mated 775,000 will have been created or retained through CPD's economic development programs. This is almost a 50 percent increase, or an estimated 240,000 jobs, over the economic development programs' performance during the preceding period (1989-1992).

II. OVERVIEW OF CPD INITIATIVES: RETOOLING THE SYSTEM

CPD's new approach to economic development has been built around five key initiatives:

1. The Economic Development Loan Fund (Section 108)

In 1993, CPD began strongly promoting its Economic Development Loan Fund (Section 108) as a tool for community revitalization. In FY 1994 and FY 1995, the Loan Fund had its most productive years — guaranteeing more than \$2.1 billion in loans to create jobs in large and small communities throughout the United States. The strength of the Loan Fund is that it permits communities to use federally-guaranteed loans, rather than Community Development Block Grant (CDBG) grant dollars, to leverage private funds for the purposes of economic development and community revitalization. This enables communities to use their scarce CDBG grant dollars for other activities. Since the program was created, it has never had to call on the Treasury to pay back defaulted loans.



Assistant Secretary Andrew Cuomo, Boston Mayor Thomas Menino, and other dignitaries break ground on an Economic Development Loan Fund project in Boston.

2. The Economic Development Initiative

EDI is a new initiative that provides grant funds to enhance the security of Economic Development Loan Fund (Section 108) loan guarantees and/or strengthen the economic feasibility of Loan Fund-assisted projects. Enacted and implemented for the first time in 1994, the EDI enables localities to carry out economic development activities where public and private dollars can be leveraged to create jobs and other benefits, especially for low- and moderate-income persons, and reduce the risk of potential future defaults on Loan Fund-supported projects.

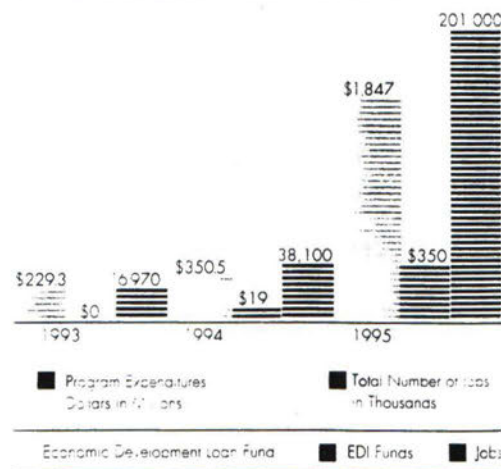
The EDI grants greatly expanded the role of guaranteed loans as a catalyst for economic development. The estimated jobs created by EDI and the Loan Fund increased from 16,900 in 1993 to over 201,000 jobs in 1995 and 43,000 jobs in 1996. (See Exhibit 2.)

The growth of Loan Fund/EDI jobs reflects a nine-fold increase in loan guarantee commitments during this period, from \$229 million in 1993 to \$350 million in 1994, to



HUD Secretary Henry Cisneros has made job creation a top priority at HUD.

Exhibit 2
Estimated Jobs Created
Economic Development Loan Fund (Section 108)/EDI
FY 1993 - FY 1995



\$1.85 billion in 1995. (See Exhibit 3.) A significant portion of the 1995 figure is directly attributable to commitments extended to Supplemental Empowerment Zones and Enhanced Enterprise Communities.

Capital access is a key component of the job growth strategy employed by The Economic Development Loan Fund/EDI. Almost 50 percent of funds are used to support or capitalize community development loan funds or programs, including community development banks and revolving loan funds. (See Exhibit 4.) Fourteen percent were used for hotels, conventions or downtown development, 17 percent for retail centers, and 10 percent for industrial parks or plants. The balance of the funds supported medical facilities, office buildings, office building and distribution centers, and public construction.

3. Enhancing Access to Capital: The Community and Individual Investment Corporation

A new round of (1996) EDI funds will support the creation of Community and Individual Investment Corporations (CIICs). The CIIC will provide continuing credit for small business development in Empowerment Zones, Enterprise Communities, and other CDBG-eligible communities. CIICs are intended to complement the ongoing activity of existing Community Development Financial Institutions (CDFIs).

They provide a new opportunity for local governments, working in partnership with community residents, to stimulate asset-building among low- and moderate-income persons and to return these assets to the community in the form of investments in housing and community and economic development. Unique to the CIIC is that community residents are expected to have an economic stake in the venture by purchasing shares in the corporation.

4. Implementing a Coordinated Approach to Community Economic Development: The Empowerment Zone and Enterprise Community Initiative.

The Empowerment Zone/Enterprise Community initiative combines tax incentives for business development and job creation with a comprehensive approach to community revitalization through performance-oriented grants. The initiative, led by Vice President Gore, has begun to change the face of economic and community development in 72 urban and 33 rural distressed areas across the country. The Nelson A. Rockefeller Institute of Government indicated that "(t)his initiative is the most significant effort launched by the federal government in decades on behalf of the nation's distressed inner cities."²

Exhibit 3
Loan Guarantee Levels
Economic Development Loan Fund (Section 108)
Dollars in millions

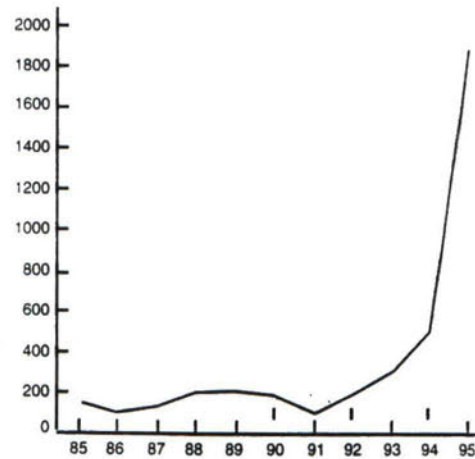
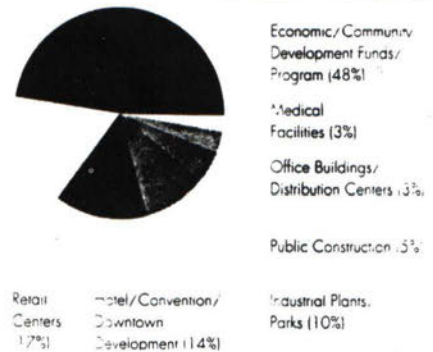


Exhibit 4
Types of Projects Funded
Economic Development Loan Fund (Section 108)/EDI
FY 1994 - FY 1995



Almost 50 percent of funds are used to support or capitalize community development loan funds or programs, including community development banks and revolving loan funds.

5. Revising Regulations and Streamlining Programs: CDBG and UDAG as Economic Development Tools

CPD significantly increased its job creation capacity by streamlining and revising rules and regulations for its programs. This included a makeover of the CDBG program, involving comprehensive revisions of once-restrictive regulations. The regulations for the Urban Development Action Grant (UDAG) program were also amended to optimize the use of the grant funds remaining under this discontinued program.



Leveraging Funds

These economic development initiatives have leveraged substantial additional funds from other sources. In 1994 and 1995, over \$2.3 billion in Economic Development Loan Fund loan guarantees and EDI grants will leverage an estimated \$4.7 billion in additional funds. A sample of 40 loan guarantee projects leveraged an average of 2.5 dollars for every federal dollar in grants or loan guarantees.

In 1994 and 1995, over \$2.3 billion in Economic Development Loan Fund loan guarantees and EDI grants will leverage an estimated \$4.7 billion in additional funds. A sample of 40 loan guarantee projects leveraged an average of 2.5 dollars for every federal dollar in grants or loan guarantees.

Assessing the Results: University of Louisville Evaluation

The University of Louisville evaluated the core CPD economic development programs — the Economic Development Loan Fund and EDI grants — and determined that they are working. The study concludes that the program has produced real results over the past four years.

"This analysis suggests that the EDI grant program has not only enabled many more communities to take advantage of the long-term flexible funding available through the Economic Development Loan Fund (Section 108) guaranteed loan program, but also that the two programs have performed well in generating jobs and boosting the economies of hard hit urban areas. The Economic Development Loan Fund/EDI program is an outstanding illustration of the efficient, productive use of federal funds."³

"EDI allows participating communities to write down interest costs, maintain a loan loss reserve, and have more up-front capital to work with. Through the infusion of a relatively small amount of EDI grant funds, communities around the country have been able to enhance the security of loans from the Economic Development Loan Fund. EDI grants have strengthened the economic feasibility of the projects, while making it more likely that they will generate enough cash to repay the guaranteed loan."

The University of Louisville's study also points out that the program is particularly productive in that the great majority of federal resources involved are in the form of loans, which will be paid back to the federal treasury over a number of years. Since there have been no defaults, the cost to taxpayers is limited to the direct outlay of EDI grants — a small portion of the total project cost.

III. PUTTING THE TOOLS TO WORK

As metropolitan-based large manufacturing facilities give way to smaller high-tech firms located on city edges, initiatives that can create a variety of permanent job options for unemployed or underemployed residents are critical to stabilizing both the central city as well as the region.

Community Development Lending

A number of cities are working to create new lending institutions that will support community economic development, using the Economic Development Loan Fund and EDI.

Trinity Knitworks in Los Angeles did not have to lay off any of its workers thanks to a loan made possible by CPD's Economic Development Loan Fund (Section 108)

■ Community Development Bank Los Angeles, California

The City of Los Angeles has received \$300 million from the Economic Development Loan Fund (Section 108). At least \$100 million of this assistance is to be used in conjunction with \$100 million of Economic Development Initiative funds awarded to the City. The EDI award was made pursuant to the City's designation as a Supplemental Empowerment Zone. Los Angeles County also received a \$15 million EDI grant and a \$15 million loan guarantee.

The entire \$430 million of Economic Development Loan Fund and EDI assistance will be used to establish and fund the Los Angeles Community Development Bank. The Bank's mission is to stimulate economic development which will create and/or retain jobs for Los Angeles' low- and moderate-income population. The Bank will achieve this objective by providing borrowers with loans, loan guarantees, venture capital investments, grants, and technical assistance.



Revolving Loan Funds

Small neighborhood businesses are the cornerstone of any viable community. Lacking the resources traditionally available to larger, more mainstream companies, small business owners often need financial backing, technical assistance, and start-up resources.

Under the CDBG program, local governments leverage significant amounts of private funds for economic development and other activities. Revolving loan funds provide an on-going stream of funding for small businesses and micro-enterprise development. Many communities have small business loan and technical assistance programs that can jump-start an infant business or provide assistance to growing businesses seeking to expand.

Microloans are a relatively new approach to economic development. They target the smallest of businesses. Most micro-loan recipients are low-income home-based business owners, who provide neighborhood services, such as hair care, clothing

repair, cleaning services, and similar one-person operations. Using CDBG and/or a combination of other local and private resources, microloan programs offer small loans, generally not more than \$25,000, at no or very low interest rates.

Commercial Revitalization

Whether a small-scale mini-mall or comprehensive development of a downtown business district, commercial revitalization is a key component of neighborhood revitalization. Commercial redevelopment is a useful economic development tool in communities where once-thriving business districts now suffer because of disinvestment and neglect. Not only does rehabilitation of existing lots and construction remove blight, but redevelopment in commercial districts promotes economic growth through job creation and small business development. An increasing number of communities are using Economic Development Loan Fund loan guarantees to finance commercial development projects.

■ Martin Luther King Jr. Drive Commercial Revitalization Project Atlanta, Georgia.

The Martin Luther King, Jr. Drive/Ashby Street Commercial Revitalization project will use EDI and the Economic Development Loan Fund to provide interest rate reductions to a neighborhood retail shopping center with anchor stores of a supermarket and drugstore. EDI and Economic Development Loan Fund guarantees will also be used as a loan loss reserve for small start-up business loans in the retail facility. The neighborhood has an overall poverty rate of 47 percent. It is estimated that the project will create 323 new jobs and will provide employment for the residents of the Eagan Homes public housing project located immediately adjacent to the proposed retail center. The project will be implemented by the Atlanta Economic Development Corporation, a certified Local Development Corporation.

■ Promenade 23 Neighborhood Shopping Center Project Seattle, Washington

The City of Seattle, Washington has been approved for \$2.4 million in Economic Development Loan Fund guarantees to assist in the financing of the expansion and stabilization of the Promenade 23 neighborhood shopping center. The City will loan the Economic Development Loan Fund loan proceeds to Promenade 23 Associated Limited Partnership to develop a 13,900 square foot drug store, a 2,000 square-foot retail building for restaurant and retail space, expanded parking facilities, site and existing building improvements, and refinancing of existing debt on the center. Total development costs for the project are budgeted at \$6.2 million. The City was previously awarded a \$350,000 Economic Development Initiative grant to offset the interest costs of the Economic Development Loan Fund

The Promenade Shopping Center, an EDI/Loan Fund project in Seattle, WA.



guarantee and to finance design costs for the center. The area that will be served by this neighborhood retail center has a population which is 68 percent low- and moderate-income persons.

■ **Five-Points West Shopping Center Project**
Birmingham, Alabama

The City of Birmingham, Alabama has received a loan guarantee from the Economic Development Loan Fund (Section 108) to provide assistance to a developer to acquire the south parcel of the Five Points West Shopping Center. The developer is renovating the entire shopping center which serves the West End area of the City. Total project costs are expected to exceed \$4.5 million. Over 400 jobs will be available to low- and moderate-income persons.

Job Training

Critical to job development is a properly trained work force. Job training can take many forms. For some, it means skills development; for others it means job search assistance and techniques. These programs give participants the knowledge, special skills, and self-esteem they need to enter the work force as strong competitors. Communities can use CDBG funds with other federal, state, and local funding, such as the Job Training Partnership Act, to provide training to unemployed residents.



Community Development Bank Grant funds not only help create jobs, but support job training efforts as well.

Industrial Retention and Manufacturing

Many cities are working to retain or attract firms in older industrial corridors or traditional manufacturing sectors such as steel, automobile or other types of industrial production. In older cities, the industrial corridors often included smaller shops that were the backbone of neighborhood economies, in such sectors as metal finishing, print shops, food processing, and electroplating. With foreign competition and structural changes in the economy, many of these smaller shops were forced to close. Cities are using CDBG, Section 108 and other resources to support existing firms in these corridors or to retool these areas for new, higher technology production.

■ **Regional Cooperation Gave a Boost to Steel Town's Economy**
Johnstown and Cambria County, Pennsylvania

A multi-jurisdictional agreement in Pennsylvania gave a boost to the steel region's economy by retaining hundreds of jobs in a community the State had once declared distressed. The City of Johnstown and Cambria County agreed, in cooperation with the Commonwealth of Pennsylvania, to finance the opening of BRW Steel Corporation, a once-defunct division of Bethlehem Steel.

The endeavor revived the Bar, Rod, and Wire Division, which in the late 1980s had begun to suffer operating losses. Early in 1992, Bethlehem Steel opted not to proceed with its planned modernization program, but rather sell the division and concentrate

on core steel operations, which were more competitive and profitable. Operations shut down, and the same year the State declared the City a distressed community.

Veritas, Inc., an investment group, reviewed the Division, and concluded that if a new union agreement could be reached, the BRW division could be an attractive investment opportunity. In 1994, Johnstown and Cambria counties jointly applied for and received Economic Development Loan Fund authorization for \$8.5 million (\$5.5 million and \$3 million, respectively) for the acquisition, modernization, start-up and operation of the division as a new corporation, including production facilities in the Johnstown area (as well as in Hamburg, NY).

The project will allow the idle bar, rod and wire facility to reopen and provide significant economic stimulus to the City of Johnstown and surrounding communities by providing an initial payroll of \$5.4 million for 180 jobs; a mid-term payroll of \$24 million for 800 jobs; and a maximum payroll of \$55 million for 1,200 jobs created and/or retained once the steel facility is fully operational. The project will stabilize the local tax base by generating estimated annual tax revenues totaling \$553,600.

■ **Model Industrial Corridors** **Chicago, Illinois.**

\$1 million in EDI grant funds and Economic Development Loan Fund guarantees will be used for economic development projects as interest rate reductions, loan loss reserves, and credit enhancements. The city proposes to use funds for its Retail Chicago project that will be seed money for retail and job development, a Brownfields project to help address environmental hazards on unutilized industrial sites, and the Model Industrial Corridors program. These programs are needed to address the city's manufacturing job loss in industrial areas.

■ **Thompson's Pet Food Project** **Kansas City, Kansas**

Thompson's Pet Food, Inc. is hiring 128 Kansas City, KS residents for its new dog food manufacturing facility. The company received \$4.2 million in EDI/Loan Fund assistance.



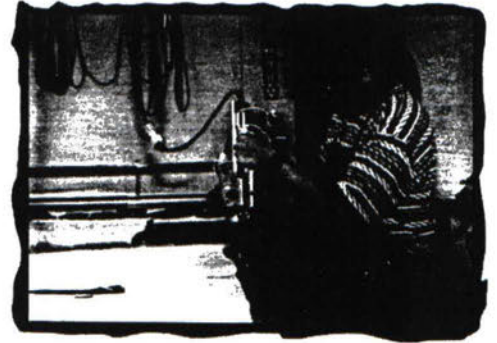
The City of Kansas City, Kansas was awarded Economic Development Loan Fund and Economic Development Initiative funds to carry out economic development projects in the Enhanced Enterprise Community area. The first project involved financing for a pet food manufacturer (Thompson's Pet Food) to acquire land and new equipment for expansion of its production capabilities.

This economic development project is central to the revitalization strategy for the Enhanced Enterprise Community. The City estimates that this financing will enable the company to generate 128 new high wage jobs over the next four years.

IV. TOOLS FOR ECONOMIC DEVELOPMENT: THE PROGRAMS

1. The Economic Development Loan Fund (Section 108)

Through the Economic Development Loan Fund (Section 108), CPD provides a guarantee of payment to private investors who purchase debt obligations issued by local governments. The guarantee represents the full faith and credit of the United States Government, enabling local governments to borrow funds at rates comparable to federal borrowings through the U.S. Treasury.



Guaranteed loans stimulate neighborhood economies.

Guaranteed loans may be used to finance the following activities:

- Economic development
- Housing rehabilitation
- Real property acquisition
- Rehabilitation of publicly owned real property and related demolition, clearance, and site improvements
- Construction, reconstruction, or installation of public facilities
- Public works and site improvements in colonias
- Interest payments on the guaranteed loan and issuance costs of public offerings, and
- Debt service reserves.

Who is eligible?

Eligible applicants for the loan guarantee include both metropolitan cities and urban counties as well as small non-metropolitan communities that are assisted in submitting applications by States administering the CDBG Program. Small communities and States have slowly begun to increase their use of the Economic Development Loan Fund (Section 108) program as evidenced by CPD's approval of 38 small town applications as of July 1, 1996. Beginning in 1995, New York State and Hawaii small cities were also made eligible for the program.³ Applicants may receive loan guarantees directly or through a designated public agency.

As of February 1995, CPD required additional security over and above the pledge of CDBG funds for each loan. This was caused, in part, by the extension of requirements of the Federal Credit Reform Act of 1990 to the program. The Credit Reform Act requires HUD to estimate future losses and defaults under the program and request appropriations to cover the net present value of those estimated losses (the "subsidy cost"). These funds will be set aside in special accounts with the Treasury until such time as it may be necessary to draw upon them. The subsidy cost rate for the program for FY 1996 was established at 2.1 percent and HUD received a credit subsidy appropriation totalling \$31.5 million to address future defaults.

Annual Limits

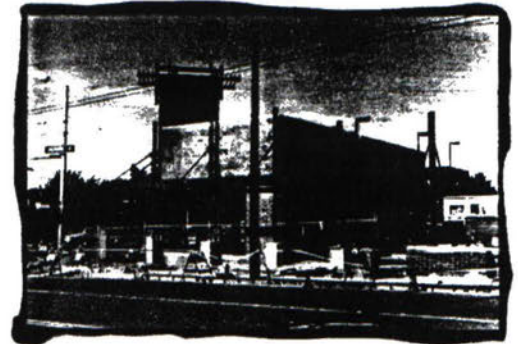
The total amount of loan guarantees is limited each year by language in the Congressional appropriation. The annual limit from FY 1993 through FY 1995 was approximately \$2 billion. Generally, the statute limits Economic Development Loan Fund activities to CDBG-eligible activities generating sufficient cash flow to support loan payments. 1994 amendments expanded the list of eligible activities to include public facilities, which generally do not produce a cash flow to repay the debt.

Streamlining the Program

In 1994, CPD added the EDI program to help reduce the risk to local governments using guarantees, expanded the list of eligible activities to include public facilities, and altered the permanent financing process for Loan Fund guarantees to reduce costs and paperwork.

2. The Economic Development Initiative

The Economic Development Initiative is a new initiative that provides grant funds to strengthen the economic feasibility of economic development projects. EDI's are cash grants used in conjunction with Economic Development Loan Fund (Section 108) loan guarantees. Enacted and implemented for the first time in 1994, EDI enables localities to carry out economic development activities where public and private dollars can be leveraged to create jobs and other benefits, especially for low- and moderate-income persons. It also reduces the risk of potential future defaults on Economic Development Loan Fund-supported projects.



Communities are using Economic Development Initiative funds to establish and expand small businesses in disadvantaged neighborhoods.

The central premise upon which the initiative rests is that the funds can serve as the basis for subsidizing loan guarantee funds. They can reduce the risks to local government Community Development Block Grant funds which serve as the first line of security for paying the guaranteed loan. As a result, EDI has energized local governments to plan a new range of economic development activities.

Funding

Since the passage of legislation, three EDI funding rounds have been completed. The first funding round in FY 1994 awarded \$18.9 million in grants to 40 communities for 44 commercial, industrial and neighborhood development activities. In FY 1995, a second funding round awarded \$300 million targeted to urban Empowerment Zone applicants and designees. In 1995, \$50 million was awarded to 64 cities. A fourth round is underway at the time of this report (October, 1996) in the amount of \$50 million.

Selection Criteria

EDI projects have the following statutory selection criteria:

- Level of distress in the community to be served and in the jurisdiction applying for assistance
- The extent of the financial need for assistance
- The quality of the plan proposed and the capacity or potential capacity of the applicant to successfully carry out the plan
- Such other factors as the Secretary determines to be appropriate.

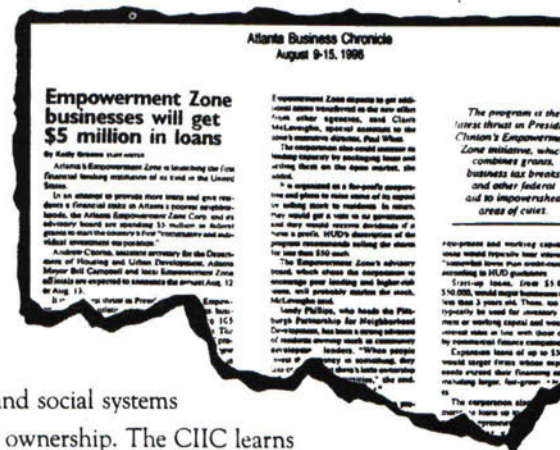
3. The Community and Individual Investment Corporation

CPD is capitalizing innovative financial institutions — Community and Individual Investment Corporations — which provide residents with a financial stake in their community. These corporations are new community-oriented financial institutions dedicated to economic development of their communities.

The basic premise of the CIIC is that local economies and social systems interconnect. The essence of economic empowerment is ownership. The CIIC learns from the limitations of past experience by involving residents directly in the community reinvestment process through ownership, responsibility and opportunity. Community investment must be linked to social networks that promote mutual support and interdependence. There is strong evidence to suggest that the concepts of ownership, profit and loss that underpin the CIIC model have a powerful influence on personal responsibility and community cohesion.

This principle has been applied, with some success, in developing economies around the world. For example, the Grameen ("Village") Bank extends small self employment loans to women in Bangladesh. It operates on the principle of mutual accountability and shared risk. Grameen is not the only example. Accion International, a private, not-for-profit organization which provides micro-credit to entrepreneurs in 14 Latin American countries, takes a similar approach, and enjoys a payback rate of 98 percent.

CIIC's provide a new opportunity for local governments, working in partnership with community residents, to stimulate asset-building among low- and moderate-income persons — and return these assets to the community in the form of investments in housing, community and economic development. The goal of this initiative is to create self-sufficient institutions dedicated to the economic development of their communities.



A Real Stake for Residents

Economic progress depends, to a great degree, on a community's willingness to use its own assets to build jobs and wealth. As a unique form of collaboration between community residents, city government and the private sector, the CIIC has several potential benefits for low and moderate income communities.

- *Resident ownership* means residents will become shareholders, providing an opportunity for residents to participate in building their own community, supporting and nurturing local businesses, and planning for their own futures. They will have a direct economic stake in local economic development and the success or failure of locally-owned businesses and other development efforts. Those owning voting shares must be residents of the community or must own community-based businesses.

By owning shares in the CIIC, residents are able to play a role in its governance and in the process gain a genuine economic stake in their community. As board members and shareholders with a direct financial interest in the performance of the Corporation's investments, residents have a strong incentive to help it succeed.

- The CIIC will ensure that *technical assistance* is provided to entrepreneurs seeking loans, not just from its own programs, but from CDFIs, neighborhood loan funds and conventional banks.
- The CIIC may be created with resources provided through the Empowerment Zone or Enterprise Community program, Community Development Block Grants, Economic Development Initiative and Economic Development Loan Fund guarantees, federal, state and city dollars. These resources can *leverage substantial revenues* which would allow the CIIC to achieve a scale necessary to ensure long-term vitality.

The CIIC's role will vary from community to community. In some communities, the CIIC might make direct loans as a "retail" lender. More often, it will function as a "wholesale" lender carrying out its financing activities (loan guarantees, purchase of loans, "patient" capital provider) through existing institutions. The CIIC could also be a packager of investment products organized around Empowerment Zone wage tax credits, state tax credits, CDC tax credits, pollution abatement tax credits and, potentially, future commercial real estate tax credits.

As CIICs are intended to complement and support existing institutions, the specific services and products offered by a CIIC in a particular community should be informed by an analysis of the ongoing activities of existing institutions. This will help determine what functional gaps are present and facilitate the design of a program of activities that close those gaps.

The CIIC will engage in a number of activities beyond making business loans. These might include, for example, creating an *endowment fund* to provide soft loans and grants for capacity building and management assistance to local

entrepreneurs, as well as workforce development efforts. CIECs might also take the lead in originating and underwriting loans and providing technical assistance while *co-lending* with conventional lending institutions. This reduces transaction costs and lender liability exposure for these institutions.

4. Empowerment Zones and Enterprise Communities

The Empowerment Zone/ Enterprise Community initiative combines tax incentives for business development and job creation with a comprehensive approach to community revitalization. The six Urban Empowerment Zones receive \$100 million each and the sixty Enterprise Communities receive \$3 million each of Title XX funds from the Department of Health and Human Services through a social services block grant.⁴ The two Supplementary Empowerment Zones and four enhanced Enterprise Communities were awarded \$300 million in Economic Development Initiative grants.⁵



Taking advantage of EZ tax credits, a Save Rite Pharmacy moved into the Philadelphia Zone, and another is under construction.

There are two major tax incentives available to Empowerment Zones. Wage tax credits are directed at any employer in trade or business in the Zones. For each resident employee or new hire, the business is eligible for up to \$3,000 each year in tax credits. The second incentive is Section 179 "expensing", permitting businesses in the Zones to "write off" expenses, the cost of the depreciable tangible personal property they purchase up to \$37,500. This depreciation provides them with a deduction that is \$20,000 more than the normal \$17,500 first-year write off that this section permits for other businesses not in Empowerment Zones.



Another tax incentive, tax-exempt bond financing, is available to all Empowerment Zones and Enterprise Communities. Qualified businesses may be eligible for a new category of private activity bonds that offer lower rates than conventional financing and permit businesses to finance business property and land. In addition to offering them lower rates than conventional financing, tax-exempt bond status provides access to non-traditional lenders, such as insurance companies and individual investors.

The program is also significant in that it refines how Federal agencies provide access to communities and to State and local governments. The interagency Community Empowerment Board (CEB), headed by Vice President Gore, is the key to government "reinvention" in the EZ/EC communities.

The Board represents the major domestic federal agencies. It meets regularly to discuss coordination efforts, performance measures and federal funding preferences. All federal funding, technical assistance, and regulatory issues are coordinated through the CEB. Federal agency Board members have already granted more than 250 requests for programmatic and regulatory flexibility needed to implement the economic development activities in the Zones and Communities.

REAL ESTATE

Baltimore's Dawn of an Urban Renaissance

*Empowerment
Program Pays Off
In Jobs and Hope*

By Judith Evans
Washington Post Staff Writer

For nearly five years, Marlene Brown peered out the front window of her two-story brick home in West Baltimore at a stretch of ramshackle row houses. For Brown and her neighbors, the rundown houses were a daily reminder of the struggle city officials and community activists faced in their efforts to revitalize blighted neighborhoods and commercial strips in and around downtown Baltimore.

Now there is a modicum of hope. Her neighborhood is targeted for some of the help provided by the \$100 million in federal aid that is being sent to Baltimore, one of six cities in the country that will get that much in funding to create empowerment zones to change bleakness to brightness and to provide jobs and houses where none existed.

Brown's home, along with 26 others between Laurens and Winchester streets, represented the first wave of the neighborhood's renaissance before the federal grant. The homes, built by the Enterprise Foundation, were sold for \$56,000 to low- and moderate-income city residents, with the hope that more homeownership would help break the cycle of crime and poverty and attract retailers and other services to one of the city's most impoverished neighborhoods.

But transformation takes time, as Brown and her neighbors came to realize. The dilapidated, vacant shacks were magnets for squatters, storefronts for drug dealers and hideaways for drug users. It was only six weeks ago that the structures were bulldozed to make room for homes to be built by Nehemiah Homes.

"The neighborhood isn't perfect," said Brown, a secretary who works for the state's Board of Cosmetology. "In the past, everybody would



Douglas Becker, president of Sylvan Learning Systems, left, and resident Marlene Brown in West Baltimore.

come home and shut the door. I can see a difference, where people are starting to look out for each other. It is slowly becoming a better place to live."

Resuscitating economic activity in depressed areas is often an incremental and time-consuming process, a fact not lost on grass-roots community organizations and the corporation overseeing Baltimore's empowerment zone.

Baltimore, in receiving the money over a 10-year period, is implementing a comprehensive community plan to lure back businesses, along with jobs for residents in the zone, and providing other services to poor neighborhoods with wage and tax credits worth \$225 million. The zone's mission is to create

8,885 jobs in the area with an annual payroll of more than \$151 million by 2004.

The other empowerment zones are in Atlanta, Chicago, Detroit, Philadelphia-Camden and New York.

The Clinton administration's urban strategy, often considered a derivation of Republican vice presidential nominee Jack Kemp's enterprise zones from his days as housing secretary, entrusts the center-city residents, community-based nonprofit organizations and business leaders, rather than federal or city bureaucrats, to determine which projects get money. The administration, assuming it will be reelected next week, said it will seek a second

round of funding to continue the effort in other cities.

Empower Baltimore is beginning to see results. Since the designation was made 18 months ago, officials said nearly 1,600 jobs have been created by 40 businesses that opened in the zone and businesses that have relocated or expanded. An estimated 300 jobs have gone to zone residents. There also is increased commercial and residential construction in some neighborhoods, more access to capital for businesses and better health and education services for residents.

Yet the task ahead is not easy for Empower Baltimore. The zone represents a microcosm of the problems facing the entire city since the

economic downturn from the 1992 recession, economists said.

Baltimore has suffered substantial job losses, particularly in such industries as financial services and defense, where there has been substantial industry consolidation and downsizing. At the same time, as elsewhere, businesses have abandoned the central city for suburban locations, often where their employees live and shop.

The zone covers three areas: East Baltimore around Johns Hopkins Hospital; West Baltimore near the University of Maryland Medical System; and Fairfield, an industrial area near the border with Anne Arundel County. It includes about 10 percent of the city's population—about 73,000 residents,

whose average annual household income is \$14,516, and 56 percent of adults who are unemployed.

The federal money must be leveraged with private funds and combined with other federal programs. Empower Baltimore Management Corp. executives and board members find themselves constantly negotiating tensions among communities and their residents over where to spend the limited zone funds.

Dane Bell, chief executive of Empower Baltimore, said that "\$100 million is not the end-all or be-all. It is not going to serve all the ills of the city.... It's very challenging and hard. In many ways, it's like a mini-United Nations, where you have a diverse set of people with dif-

See BALTIMORE, B3, Col. 1

Creating Jobs, Hope for Urban Revival

BALTIMORE, From E1

ferent backgrounds come together and work toward the bottom-line goal of facilitating and creating economic opportunities.

Zone officials believe a revived city can be achieved only by focusing the attention of lenders and businesses to the designated areas, so that they will want to continue investing once Empower Baltimore dissolves in five years. That view is also shared by federal housing and urban development officials who created the program.

"The subsidies are just the initial incentive to attract businesses back to the community," Assistant Housing Secretary Andrew Cuomo said. "But once businesses come back, once the work force is trained, once housing is rehabilitated, the tax base of the community and environment is going to be such that the businesses and people want to remain."

Baltimore's early results show that city neighborhoods can create jobs when the city offers tax breaks to businesses, but even more so when it is able to link money firms to financing they were unable to obtain or didn't know existed, said Leslie C. Bender, head of the zone's Business Empowerment Center.

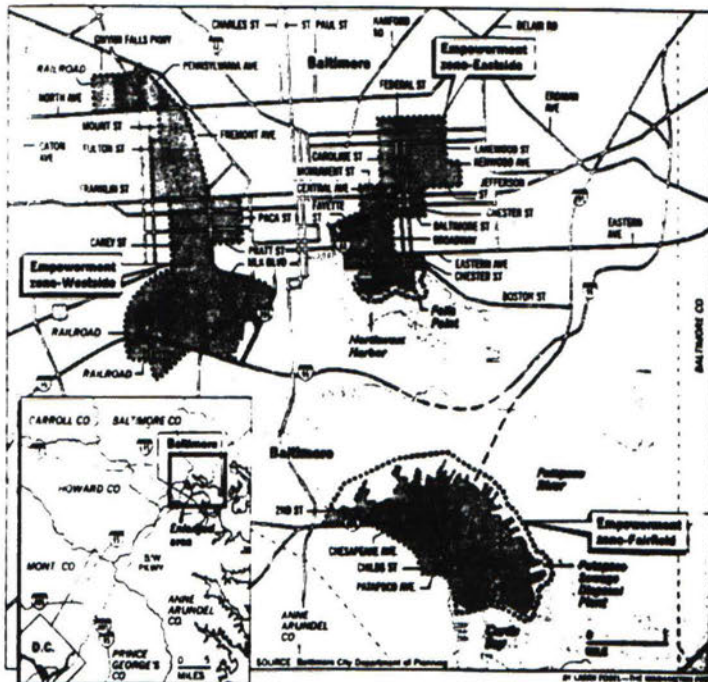
Zone officials spent \$4 million to open and run the center, which has on-site counselors, computers and loan officers. The federal Small Business Administration also has two full-time employees to provide eligible firms with loan guarantees.

Center officials have worked with lenders to make loans to zone businesses. It has created a \$1 million fund from which underfunded small businesses can receive up to \$100,000 in subordinated debt so they can later qualify for more conventional financing. The zone also is considering placing an additional \$2.5 million in another high-risk lending fund.

NationsBank Corp. has committed \$1 million to Baltimore's empowerment zone, where 2,000 businesses are operating. In providing capital, NationsBank is not only fulfilling a community service, but it is complying with federal laws requiring lenders to make loans in under-served communities under the Community Reinvestment Act.

Ronald Jefferson, owner of Waterford Caseworks, a cabinetmaker in South Baltimore, received a \$175,000 city loan from Nations Small Business Investment Corp., which will allow his company to buy the equipment necessary for a new bid and, he hopes, for more contracts. "I had been looking for somebody to fund what I wanted to do for a long time," Jefferson said, "but I hadn't found enough connections or those interested in what I was doing."

Techmark Corp., a women-owned commercial security and fire alarm company, in July moved into a city-owned industrial office center in Southeast Baltimore to take advantage of the exceptionally prompt rent and tax credits. Zone businesses are eligible for up



to \$3,000 in tax credits for each employee they hire who lives in a zone neighborhood.

"The benefit is our location is fantastic," said Tom Anas, a partner in the business, whose clients include a variety of downtown businesses such as the warehouse at Camden Yards and Baltimore City Life Museum. "The rent is quite good. We also get a chance to bring high-technical jobs into the city and benefit from programs training workers."

Fairfield's industrial area also is receiving attention from several businesses interested in relocating to a city-owned parcel that once was the site of a 300-unit public housing complex. The city recently received a grant from the Department of Housing and Urban Development to demolish the complex and prepare the site. Zone officials hope the state legislature next session will act on proposals to make a case for companies to redevelop industrial sites contaminated with chemicals, known as brownfields.

At the same time, construction is nearly complete on a 120,000-square-foot office building in the Inner Harbor for Columbia-based Syllan Learning Systems. The company will move 300 employees into the zone. The firm's president, Douglas Becker, said the city made the move possible by providing incentives to the developers that lowered the cost of construction.

"In the future, I would like it to not be a big deal when companies move downtown," Becker said. "I'd like our move to question the assumption why people haven't been able to move their companies to central cities, which are vibrant and important places to work."

Heading the warnings of many regional economists, zone officials aren't limiting employment opportunities for residents to just the city. One neighborhood is using HUD funds to start van service to transport residents who are on welfare to warehouse jobs outside the zone near Baltimore Washington International Airport. Stop Shop and Save, which operates 16 supermarkets in the city, will provide training and jobs to residents in the zone. These jobs, while requiring few skills, pay decent wages and benefits and give residents an introduction to basic employment, zone officials said.

"There is job creation in central cities, but it is primarily in higher-skilled positions," said urban strategist David Rusk, who has studied the Baltimore region. "The reality of the empowerment zone is that it's part of the regional economy. You must open access to the regional economy to those who currently reside in the empowerment zone."

As more city residents become employed, housing also becomes a critical component in revitalizing urban centers, zone officials said.

Fisher Mae has given a \$50,000 grant to the Maryland Alliance for Responsible Investment to provide homeownership counseling to prospective buyers of zone homes. Empower Baltimore recently approved an incentive to give homeowners \$5,000 in settlement costs when buying in the zone.

Baltimore's zone housing effort got a head start with a six-year rehabilitation underway in a west side neighborhood known as Southern Winstons. With the help of the city and the nonprofit Enterprise Foundation, about \$13 million annually is being spent to reduce the high rate of unemployment, crime and poverty in the neighborhood and provide education and health care for the neighborhood's 10,300 residents.

So far nearly 300 properties have been constructed or renovated for homeownership and all residents have access to health care through a consortium created with the University of Maryland Medical System and other health care providers. About 200 residents have received employment training and more are attending adult education classes at a community center. Violent crime in the neighborhood has dropped 16 percent in the last year as residents organized 100 block clubs and worked with city police to close 15 drug houses.

Change at Sandtown Winchester "has been largely negative at the neighborhood level, and the price for that is true," said Mark Sonnen, president of Enterprise. "But the goal is to bring neighborhoods and people into the mainstream."

Other neighborhoods are trying to emulate Sandtown's strategy, said Doris Hall, chairman of the Poppen Village Center. The former working class neighborhood has 7,000 residents, the majority of them single women with children, and a nearly 75 percent unemployment rate. The village center is looking to acquire dilapidated, vacant housing in the neighborhood to renovate and later sell to residents, Hall said.

The Village Center also is attempting to forge a better alliance with an expanding educational and training center in the neighborhood, where residents can take classes for word processing, high school equivalency exams and reading and writing.

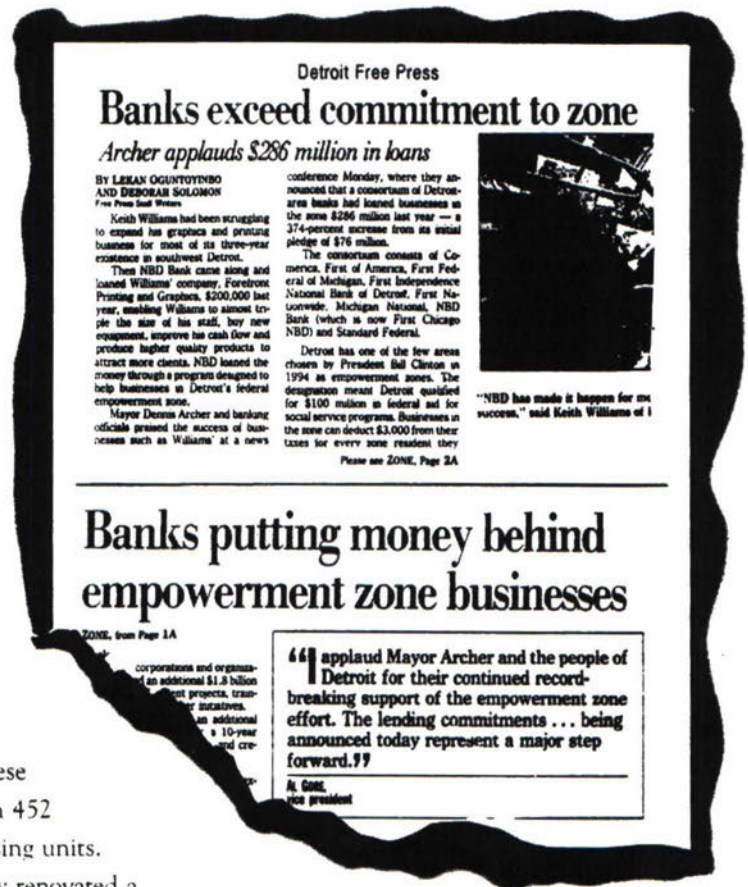
"We're talking about repairing the fabric of the community," Hall said. "The whole city can function better when people can improve their daily lives."



Anthony Savary points out row houses in West Baltimore as he heads to pick up produce to sell in neighborhood.

Examples of economic development projects in the Zones include:

- In Philadelphia, at least 50 businesses have taken advantage of the tax incentives in the Zone helping to create or retain more than 900 jobs.
- In Detroit, a consortium of banks and financial intermediaries pledged to loan \$1 billion to Zone residents and businesses in 10 years. The consortium exceeded its first year goal with \$286 million in loans.
- Cleveland loaned \$1 million to 10 businesses in the first year of its Empowerment Zone effort. These loans will create 77 jobs, retain 452 jobs, and develop 65 new housing units.
- In Atlanta, a recycling company renovated a vacant plant and is hiring 200 Zone residents and students.



Activity in Empowerment Zones is not limited to physical development projects. They are preparing community residents to enter the workforce.

5. Revising Regulations and Streamlining Programs

Community Development Block Grant Program

CDBG funds continue to play a significant role in economic development particularly with the streamlined regulations. CDBG economic development activities contributed an estimated 471,800 jobs (254,000 through the entitlement communities program, and another 217,800 jobs through the State CDBG program) from 1993 to 1996. Other CDBG activities (housing rehabilitation, public services, etc.) contributed 472,200 permanent and temporary non-administrative jobs.

Metropolitan cities, urban counties, and states may use block grant funds for a wide variety of activities, including economic development. Economic development activities may include direct assistance to for-profit businesses, commercial and industrial infrastructure improvements, and facade improvements in commercial business districts. While it is generally not specifically classified as an economic development activity, CDBG funds may also be used for job training.

Specific uses of funds of CDBG grantees included:

- CDBG Entitlement grantees provided some \$129 million per year in *direct financial assistance* and \$24 million in technical assistance to all types of for-profit businesses in FY 1992 and 1993. They also provided \$13 million in FY 1992 and \$24 million in FY 1993 for *technical assistance to for-profit businesses*. The State CDBG program provided approximately \$109 million in direct financial assistance to for-profit businesses in FY 1992, \$114 million for FY 1993, and \$130 million in FY 1994.
- The CDBG Entitlement program provided \$40 million in FY 1992 and \$20 million in FY 1993 for a range of *commercial revitalization or industrial retention* projects. These typically included land acquisition, infrastructure improvements, building construction or rehabilitation (including facade improvements), and other capital improvements. In addition, \$18 million in both FY 1992 and FY 1993 was used for minor rehabilitation of commercial/industrial structures, including facade improvements. Under the State CDBG program, approximately \$28 million in FY 1992, \$40 million in FY 1993, and \$39 million in FY 1994 were used for commercial/industrial infrastructure improvements.
- In FY 1993, the most recent year for which Entitlement data are available, grantees reported providing job training for more than 118,000 people. In FY 1992 and FY 1993, \$15 million in CDBG funds were used by local grantees for a range of job training programs.



In addition to assisting small businesses, communities are building large-scale developments with CDBG funds.

Under the State CDBG program, economic development activities account for nearly 19 percent of the total funding awarded by states for FY 1992-94. Most of these activities involved loans to for-profit businesses or infrastructure projects. State CDBG funding amounts for economic development totaled approximately \$137 million for FY 1992, \$154 million for FY 1993, and \$168 million for FY 1994.

Urban Development Action Grant Program

Revisions to the Urban Development Action Grant program, which originally ran from 1978 through 1989, have further helped spur economic development. This competitive loan and grant program was created as gap financing to stimulate economic development and employment in distressed urban communities. Although Congress has appropriated no new funds for the program since FY year 1989, amended grants for altered and new projects for those cities with UDAG awards have continued. These amended grants have come from funds previously awarded for projects that failed to move to fruition.

Since the program ended in 1989, rather than terminating awards to cities with failed projects and returning the funds to the Federal Treasury, new Federal statutes and more flexible regulations allowed cities to receive these funds for other economic development activities. In addition, communities with completed projects continue to receive income from UDAG project repayments. Local jurisdictions use these repayment funds for additional economic development and housing activities.

In total, some \$4.6 billion in Federal funds, leveraging \$35 billion in private and other funds, generated 603,000 jobs and 109,000 units of housing. Many new jobs will be created through the new initiative permitting more flexibility on the use of old UDAG funds.

6. Youthbuild

The Youthbuild program⁶ provides disadvantaged young adults with education, employment and leadership skills and expands the supply of affordable housing by building and rehabilitating housing for low-income and homeless persons.

Youthbuild provides on-site construction work experience and academic and job skills training primarily for high-school dropouts (ages 16 to 24) in very low-income communities. While receiving training, participants are rehabilitating or constructing affordable housing. Partnerships are formed among local service providers to provide educational and leadership training and hands-on construction skills.

Use of Funds

CPD's Youthbuild program made its first awards in July 1994. Youthbuild awarded \$38 million dollars in FY 1993 funds to 136 public and private non-profit agencies across the country. Those funds provided education, training and work experience for 1,327 participants and resulted in the rehabilitation or new construction of over 900 units of affordable housing.

Following a rescission of \$10 million, FY 1994-95 Youthbuild funds totalling \$64 million were awarded to 128 non-profit organizations. These programs will provide education, employment training, and meaningful construction work experience to more than 3,007 young adults who are very low-income high school dropouts. More than 1,512 units of affordable housing, new construction and rehabilitation will be added to the housing stock in the neediest communities.

In FY 1996, \$20 million in Youthbuild funds were awarded which will provide 1,200 young people with skills they need to get good jobs, and will provide 420 families with homes in 26 distressed communities.



Secretary Henry Cisneros talks to job trainees in the Washington, D.C. Youthbuild program.



V. ECONOMIC DEVELOPMENT BEST PRACTICES

The jobs created all over the United States through CPD programs can best be illustrated by some case studies of "best practices" that illustrate many different innovative local approaches to economic revitalization.

BEST PRACTICE INCUBATORS NURTURE INFANT BUSINESSES *Omaha, Nebraska*

Opportunity knocks only so often, and those who open the door let in an array of new options that can lead to success. Donna Cobalt, whose colorful name matches her fashionable business, Window Visions, found her opportunity in the business of designing and fabricating window dressings. Cobalt put herself through a 4-year degree program in Home Economics. As a single mother, she wanted to open her own business so that she could work while staying home with her child.

What's unique about Cobalt's work is that she does both the design and fabrication herself, whereas most designers contract out for the fabrication. "It improves the quality of the work because you can do exactly what your clients envision," she says. "This way they're not disappointed."

When Cobalt started her business she farmed out the fabrications of her designs to wholesalers who actually did the sewing. After one year, she decided that to serve her customers better, she could do the fabrications herself. Visits to several banks for financial assistance to strike out on her own came up dry, as banks were not willing to take the risk on a small start-up business. One bank referred her to the Omaha Small Business Network (OSBN), just as that organization was starting its "Fast Track" program of entrepreneurial training and technical assistance for small business owners.

"What I liked best about them was that they had true expertise," Cobalt says. She cited examples, such as lawyers and accountants who were tops in their field in the Omaha area. She took advantage of a flexible \$14,000 loan, which she could use for any number of expenses. In addition to the loan, however, she notes that the staff helped her to establish a working relationship with a local bank. "When banks are familiar with you and the financial needs

of your business," she notes, "they're more flexible and willing to give you the cash flow you need."

Whether it is an emerging small business on the fast track to success or just a person with a good idea, there's a spot in the incubator for nurturing small business and potential business owners. It's the Omaha Small Business Network, which operates a Business and Technology Incubator and manages a loan fund for small businesses.

Incubators are an innovative economic development concept. Emerging businesses share resources, such as secretarial staff and copying services. The shared overhead helps to reduce start-up and maintenance costs to resident businesses. According to the National Business Incubator Association, there are some 350 incubators in 41 states. Research by the NBIA shows that 80 percent of companies nurtured in an incubator survive, as opposed to the Small Business Administration's well-publicized statement that 80 percent of all small businesses fail after five years. Given that small business is the fastest growing sector of the U.S. economy, an incubator type project fits in well with the city's community development objective of promoting industrial and commercial development.

The Business and Technology incubator runs out of what used to be a Safeway grocery store in South Omaha, one of the most blighted areas of the State. The Network used HUD's Community Development Block Grant (CDBG) funds to renovate the structure and to replace the aging heating and cooling system. A total of 32 businesses lease space in the incubator, each employing anywhere from two to eight employees. Types of businesses in the incubator include construction, screen printing, and service businesses. Retail businesses are located in recently renovated buildings across the street.

But there was more to those block grant funds than renovations. They are being stretched and leveraged with each loan that passes through the Network's revolving loan fund, capitalized with \$300,000 in CDBG funds. Loans are offered to business owners who complete one of two "Fast Track" training courses with a completed business plan.

More than 200 people have gone through training, with a 70 percent graduation rate. Since 1993, the fund has loaned \$1 million, leveraging some \$3.8 million from other lending institutions. "We always try to take deals that banks wouldn't ordinarily make", says the Network's President and loan fund manager Kevin Clingman. "We don't want to compete with financial institutions." A start-up business can get a loan

for a maximum of \$25,000, while existing businesses can get up to \$200,000 at or below market rate. The loan portfolio totals \$7 million, and 120 new jobs have been created by businesses who have gone through the training program.

The Network, which also operates a loan fund capitalized with State funding, often uses the two in combination, with further support from financial institutions. Focusing on minority lending, more than 50 percent of the loans since 1993 were to minority business owners and 25 percent went to women-owned businesses. The Omaha Business and Technology Center was recognized as the Microenterprise Incubator of the Year by the National Business Incubator Association in 1995.

BEST PRACTICE WORKING SMART *Nashville, TN*

The African tradition of hair braiding passes from mother to daughter each generation. With five daughters of her own, Nella Frierson, is spreading the tradition far and wide. A licensed beautician, Frierson recently opened a hair braiding gallery, Pearls, Pearls, and Braids, across the street from the public housing development where she lives.

She received a \$4,000 microloan from Working Smart to start her business. She'd already been braiding hair for 30 years. She used the loan to purchase office supplies, equipment, for remodeling, and for advertising.

With some 100 to 150 regular clients who return about once every three months, Frierson also employs her daughters in the business. "All of my daughters work in the shop in some capacity," she says. One is planning to start her own business as well, specializing in a braiding technique called "latching," which can be done much faster than traditional braids while achieving the same look. She adds another 50 to 75 customers each month. She is putting two daughters through college, and raising three more at home on her modest income.

To further spread the tradition, and to earn additional income, she also teaches evening adult classes for pay through the Metropolitan Education System. She plans next to purchase a home. She frequently

attends homeownership counseling classes offered by the Metropolitan Development and Housing Agency. She is currently enrolled in a lease-purchase program, and expects to be moving toward homeownership within the next year.

Public housing residents with good ideas and some initiative are investing in their own futures by starting their own businesses. Home-based businesses in hair care, clothing maintenance, food service, record keeping, and other simply-managed businesses are providing hope, self-esteem, and most important, income to low-income public housing residents in Nashville.

"Working Smart," a microloan program, was developed by the Metropolitan Development Housing Agency, the local public housing authority, which also administers the city's economic development programs.

The program, funded in part with Community Development Block Grant (CDBG) funds assists public housing residents, and provides intensive training in entrepreneurship, business development and management, and personal development. Working Smart received its first CDBG grant from the City for \$87,000 in 1992. Subsequent grants were for \$60,000 in 1993, and \$92,000 in 1994.

The training comes with an option for participants to obtain a loan for up to \$6,000, which can be used for any number of business development costs, including working capital, start-up costs, and real estate acquisition.

Loans are offered at an interest rate of prime plus 2, rather than at low- or no-interest, "because we want to treat residents like they're in the real world; and it is the real world," says Phil Ryan, director of MDHA. The loan fund is capitalized with \$197,500 from participating banks. Some of the microbusinesses assisted are in hair care, clothing, jewelry, food service, record keeping, baking, and desk-top publishing.

A private non-profit organization, Total Rededication and Commitment, works under contract from MHDA to provide 160 hours or 8 weeks of training, which is funded with CDBG. Many of the business owners are single mothers, and training can be designed to fit the special needs of these small classes. Each class is given an academic assessment at the beginning of the session to determine its specific needs, as well as level of experience and knowledge. Trainer Bonita Harris says they try to keep classes small—about 8 to 10 students—and generally lose about two students each session.

A key to making the training work is the session on personal development. It

includes basic life skills, which can be useful for the participant's day to day living. Students learn about proper health care and maintenance, managing stress, conflict resolution, developing a personal image, maintaining their personal finances, and maintaining a good credit history.

In addition, financial institutions provide other services. First Union of Middle Tennessee, for example, provides financial advice to program participants. NationsBank invites participants to visit their small business resource center, developed in conjunction with the federal Small Business Administration and the area Minority Business Development Center. The resource center provides written material and reference books, videotapes, business magazines, and a host of other resources that could be useful to a new or potential business owner. SunTrust, First American National Bank, and Union Planters also capitalize the fund and have representatives who sit on the board.

Participants attend an informal, yet important, monthly borrowers meeting to discuss their ventures, share experiences and support one another. Some have pursued homeownership, opened businesses outside their homes, or moved on to full-time employment while maintaining their business part-time.

ADDITIONAL CASE STUDIES

ENTERPRISE INVESTMENT PROGRAM REUSES DINOSAUR BUILDINGS

Toledo, Ohio

The City of Toledo plans to combine \$164,000 in EDI grant funds along with \$650,000 in Economic Development Loan Fund (Section 108) loan guarantees to capitalize the city's Enterprise Investment Program, a multi-year strategy to stimulate job creation and economic revitalization. The city proposes to use the 108/EDI funds to establish a business loan program that will create a level playing field for businesses in its Enterprise Community, create jobs, and reverse blight.

The city also expects to use some of the funds to provide a cost-effective mechanism to reuse "dinosaur buildings" and mitigate the risks of new plant construction on urban sites. EDI grant funds will enable the city to reduce the debt service requirements of loans made to businesses thus making projects in these areas more economically feasible and to provide additional collateral against loan losses.



GOOD HOPE MARKETPLACE

SHOPPING CENTER BRINGS HOPE TO DISTRICT COMMUNITY

Washington, D.C.

The Anacostia Economic Development Corporations (AEDC), working with HUD funding is in the process of constructing a Safeway grocery store. The AEDC is a non-profit community development corporation that was established in order to address the housing and economic development needs of the Anacostia/Far Southeast area of Washington, D.C. Its goal is to facilitate the physical and social change of the Anacostia community during the transition from the 20th century to the 21st century.

A new venture for the AEDC is Good Hope Marketplace shopping center. Where there now stands a vacant Sears store, there will soon be a new shopping center. The Safeway company will develop the site in Anacostia and then AEDC will acquire and manage the center. In this shopping center will be a 55,000 square foot Safeway Food and Drug Store, a bank, a family restaurant, and other retail stores. The total center will encompass 96,000 square feet of space.

Instead of losing customers to the suburbs, Safeway decided to invest in a property near by another of its smaller stores. The Marketplace store will be more modern and attractive. Safeway grocery store will be able to maintain its presence in this community while at the same time keeping desperately needed revenue within the District of Columbia. Safeway approached the AEDC to determine whether there was enough interest in the community for this type of venture and AEDC in return sought out financial assistance by working with the District of Columbia government. Working with the District of Columbia, AEDC was able to obtain a \$1 million grant from HUD under its Economic Development Initiative (EDI) program. AEDC received a \$11.5 million loan guarantee from the Economic

Development Loan Fund (Section 108). Funding has also been generated from other sources.

Once the complex is built, AEDC will acquire and manager it. Its completion is expected in the fall of 1996. The Anacostia community feels that this new shopping center will help spur economic development and revitalization of this area. It will help keep revenue within the city as well as provide a revenue source for the citizens through the hiring of local residents. The center will help alleviate some of the blight associated with this area. Good Hope Marketplace is a key ingredient to the rebirth of the Anacostia community. It is also a critical factor in the revitalization of the nation's capital - America's Capitol City.

WHAT GOES AROUND COMES AROUND

Memphis, Tennessee

Sedrick Turner, a 22-year-old entrepreneur, received \$31,487 in start up funds through the City of Memphis Housing and Community Development Office's Revolving Loan Program for a Subway Shop franchise. Union Planters and Free the Children provided the balance of the \$100,000 in venture capital. The business has since created six new jobs, four of which went to low and moderate income individuals.

The \$5 million loan fund, operated in part with CDBG funds, leverages funds from Housing and Community Development and the Memphis lending community to increase the loan pool for small businesses. Completed applications are processed within 4 to 6 weeks, and the short time frame for approval benefits the small business owner. Loans range in size from \$5,000 to \$250,000.

Jobs created from small businesses that receive loans are intended to go to low-and moderate-income citizens. The initial loan fund was comprised of \$4 million provided by private leaders and \$1 million from City community development funds. As of May 31, 1996, 48 loans have been made, totaling \$4.9 million in principal. This activity has resulted in the creation of 353 jobs, 293 of which are held by low- and moderate-income workers.

The loans made during the current fiscal year have a principal balance of \$1,479,000. Bank participation in the loans amounted to \$1,170,000, with the remaining \$309,000 being provided from city funds. This is a leverage of nearly \$3.79 in private funding for each \$1.00 of public money. The CDBG funds were used to support city staff costs for administering the program.

ENDNOTES

1. Job estimates are derived from a number of sources. Figures for CDBG program economic development activities are based on actual jobs reported by grantees for FY 1993 entitlement funds and State CDBG funding allocations in FY 1993-94, and a sample of Economic Development Loan Fund (Section 108) awards from 1995.

HOME, Youthbuild, and other CDBG estimates for non-economic development jobs (construction, service and administrative) for FY 1993-1996 are based upon 1992 U.S. Department of Commerce output estimates of how many jobs would be created by a million dollars of expenditures in different industries. The HOME program generated \$1.80 in private and other investment for every Federal dollar. According to the Urban Institute, the housing investment multiplier for CDBG is \$2.31 for every Federal dollar spent. For some jobs the same person may hold a job for more than one year.

Estimates for the Economic Development Loan Fund (Section 108) and the Economic Development Initiative (EDI) were based on estimated jobs contained in applications for the 1995 EDI grant awards. The average total cost per job was approximately \$40,000, including leveraged private contribution; the federal cost per job was \$8,900.

2. The Nelson Rockefeller Institute of Government, Building a Community Plan for Strategic Change, July 1996.
3. CPD, rather than the State, administers the small cities program for both New York and Hawaii.
4. These special funds were authorized by Title XIII of the Omnibus Budget Reconciliation Act of 1993, enacted August 10, 1993.
5. As Supplementary Empowerment Zones, Los Angeles, CA, received \$325 million in Economic Development Loan Fund (Section 108) guarantees and Cleveland, OH, received \$87 million. As Enhanced Enterprise Communities, Boston, MA, received \$22 million in loan guarantees; Kansas City, KS, received \$14.2 million; Oakland, CA received \$27 million; and Houston, TX received \$175 million.
6. Youthbuild is authorized under section 164 of the Housing and Community Development act of 1992.

U.S. Department of Housing and Urban Development
Henry G. Cisneros, Secretary

Office of Community Planning and Development
Andrew Cuomo, Assistant Secretary

HUD

Office of Community Planning and Development

451 7th Street, SW, Room 7100

Washington, D.C. 20410

202-708-2690, telephone

202-708-3336, telefax

This report is available on HUD's Home Page at <http://www.hud.gov>



WHITE HOUSE
WASHINGTON

December 9, 1996

Richard H. Mason
President
Gibraltar Energy Company
200 North Washington Street
El Dorado, Arkansas 71730

Dear Richard:

Thanks for your kind letter of November 20 and for suggesting that Ken Smith be made Director of the Fish and Wildlife Service. As you well know, I'm very grateful to him for his fine, dedicated service over the years, and I appreciate the recommendation.

My best to Vertis. We hope you have a wonderful holiday season.

Sincerely,

RM

at the
tion is
and other
gest an
I don't
I have
ver ten
ire Ken
onment.
of the
sset to

lon. If
me tell
ing the
onmental

ive done

uration

RM
Richard H. Mason
President





Gibraltar Energy Company

Natural Gas Exploration
200 North Washington Street
El Dorado, Arkansas 71730

November 20, 1996

President Bill Clinton
The White House
1600 Pennsylvania Avenue, NW
Washington, D.C. 20500-2000

Dear Bill:

It was great to see you again in Little Rock at the election night events. I know you are glad the election is over and you can get back to work filling the cabinet and other top administrative jobs. In that regard, let me suggest an individual we both know and respect, Ken Smith. I know I don't need to tell you of Ken's abilities and loyalties. I have watched Ken work and represent your interests for over ten years. During that time I have grown to respect and admire Ken for his dedication, work ethic, and love for the environment. I would like to recommend Ken for the job of Director of the Fish and Wildlife Service. He will be a wonderful asset to your administration in this job.

Vertis and I are looking forward to your Inauguration. If I don't have the opportunity to tell you in person, let me tell you now. Thanks for standing in the gap and preventing the Republican dominated Congress from rolling back environmental regulations 25 years.

Keep up the good work. I'm proud of the job you have done and the way you represent our nation abroad.

Hope to see you in Washington during the Inauguration events.

Sincerely,

Richard H. Mason
President

