THE USE OF FEDERAL HOUSING AND ECONOMIC DEVELOPMENT FUNDS IN ST. LOUIS: FROM "TEAM 4" INTO THE FUTURE

FIELD HEARING

BEFORE THE

SUBCOMMITTEE ON
HOUSING AND COMMUNITY OPPORTUNITY

OF THE

COMMITTEE ON FINANCIAL SERVICES

U.S. HOUSE OF REPRESENTATIVES

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THE USE OF FEDERAL HOUSING AND ECONOMIC DEVELOPMENT FUNDS IN ST. LOUIS: FROM "TEAM 4" INTO THE FUTURE

Saturday, March 8, 2008

U.S. HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON HOUSING AND
COMMUNITY OPPORTUNITY,
COMMITTEE ON FINANCIAL SERVICES,
Washington, D.C.

The subcommittee met, pursuant to notice, at 12 p.m., at the St. Louis City Hall, 1200 Market Street, St. Louis, Missouri, Hon. Maxine Waters [chairwoman of the subcommittee] presiding.

Members present: Representatives Waters, Green, and Clay.

Chairwoman WATERS. This hearing of the Subcommittee on Housing and Community Opportunity will come to order. Good afternoon, ladies and gentlemen. I am Congresswoman Maxine Waters, the Chairwoman of the Subcommittee on Housing and Community Opportunity. I would like to start by thanking the City of St. Louis for allowing us the use of this beautiful and historic building, the St. Louis City Hall.

Today's hearing is titled, "The Use of Federal Housing and Economic Development Funds in St. Louis: From 'Team 4' Into the Future." And I would especially like to thank my friend and colleague, Representative Clay, who is a dedicated member of the subcommittee, for requesting and arranging for this hearing here today. I am very, very honored to serve on the overall Financial Services Committee and on this subcommittee with Mr. Clay. He has been not only a valuable member, but I depend on him to help us plan and organize all of the activities of this committee, not simply for St. Louis or Missouri, but for the entire United States of America. Thank you, Congressman Clay.

Mr. CLAY. Thank you.

Chairwoman WATERS. And, of course, I'm always pleased to be in the city of my birth and have the opportunity to visit with friends and family and just reminisce about old times, of which we did a lot last evening. I would also like to thank Mr. Cleaver who had wanted to be here today, had signed up to be here today, but found he could not come because he had an emergency. But he certainly wanted to be here to share with us in the learning curve that we have been afforded.

He is not here, but we have with us Mr. Al Green. Representative Green is from Houston, Texas, and he took time from his busy schedule to come serve on the subcommittee today because he is interested not only in what is happening in the planning process and with housing and economic development here in St. Louis, but in his own city, and he, too, is one of the treasured members of the subcommittee.

I worked very closely with him and Mr. Clay as we planned the activities of this subcommittee, and I have to tell you—and I don't want to brag—that we're one of the hardest working committees in the Congress of the United States of America. We have passed out more legislation than any other committee, and we have many more bills in the hopper that we intend to get to the Floor of the House. Our bills always make it to the Senate side. They are a little slow over on that side of Congress, but we are putting the bills before them because we recognize so much work had not been done prior to us taking over the leadership of these committees.

So I know that some of the circumstances and challenges that you have here in the City of St. Louis are the same ones that I have in the City of Los Angeles, and Mr. Green has in the City of Houston. We think that by being here today we can not only hear more and learn more about these opportunities and these challenges, but we can apply what we are learning to those problems and opportunities that we have in our own cities.

I am from a city where the median price of a home is $529,000. The housing costs in Houston, where Mr. Green comes from, seem downright reasonable at nearly $400,000 median. And, of course, here in St. Louis, it is less than that to purchase a median priced home. On the other hand, reasonable does not necessarily mean affordable; 40 percent of owners with mortgages, 21 percent of owners without mortgages, and 51 percent of renters in St. Louis City spend 30 percent or more of household income on housing, making them housing cost-burdened, as defined by the Department of Housing and Urban Development.

Almost a quarter of St. Louis City renters are severely housing cost burdened, meaning they pay more than 50 percent of their income in housing costs. As in every community in the country, work no longer guarantees being able to afford housing in St. Louis. The National Low Income Housing Coalition estimates that in order to afford a reasonable two-bedroom apartment here, a renter would have to earn at least $12.88 an hour, which is 2½ times the minimum wage. The affordability crisis is most pronounced among St. Louis' poor and disabled neighborhoods. Well over half of St. Louis City's poor households are severely cost burdened, including over 1,200 households in the North St. Louis area.

We're going to be talking a lot about that today. Disabled persons receiving supplemental security income, that is, SSI benefits, are particularly vulnerable to affordability concerns.

The HUD fair market rent for a one-bedroom apartment in St. Louis, $711, was 118 percent of the monthly SSI benefit of $603.

In addition, St. Louis has been hit hard by the foreclosure crisis, ranking 36th among American cities in foreclosure rates in 2007 with over 15,000 filings, a 58 percent increase over 2006.

And like most communities in the Nation, the Federal housing resources available in St. Louis don't come close to meeting the need. Thanks to 8 years of this Administration, and an assault on the HUD budget, only one out of four households eligible for Federal housing assistance actually receives it. Here this means that there are over 4,000 eligible families on the waiting list for public housing and over 5,000 eligible families await housing choice vouchers.

Similarly, the City has had to make due with less in terms of CDBG and HOME dollars over the past few fiscal years, again due to this Administration's concerted efforts to cut these programs, efforts we in Congress manage largely, but not entirely, to defeat. As a consequence, the City's home allocation in Fiscal Year 2008 of $4.1 million is nearly $600,000 less than it received in Fiscal Year 2004, and the City's CDBG allocation of $19.6 million is nearly $5.5 million below its funding level 4 years ago.

That is why it is especially critical for the City to spend these monies wisely, and it is equally important for us as Members of Congress to fight to maintain, and perhaps one day under new a situation we will actually increase, appropriations for these programs to really understand and influence how the City is targeting funds to help sustain and revitalize neighborhoods like those we toured this morning in North St. Louis.

It is also essential that we acknowledge and learn from the often troubling history of prior initiatives to energize the urban core of America's great cities. I can tell you that even though I hail from here, I confess to not knowing a lot about the Team 4 plan before Mr. Clay approached me about holding this hearing. Indeed, I think the title of this hearing may have set a record of inquiries to my subcommittee staff from other offices, some wondering if they had missed some hearings in the past on Teams 1 through 3.

But in learning about it from Mr. Clay, and through the materials his able staff provided, it became clear to me that this was another instance of the song titled, "Been a little bit different," but the tune remained the same. When it comes to locating the bad stuff like pollution-generating factories or clearing out housing and breaking apart communities to make room for a highway, poor and predominantly minority neighborhoods have always seemed to get more than our share, but when it comes to resources like good transportation, affordable housing, and access to credit and key public services, somehow it has been historically difficult to get what is needed and what is deserved. Indeed, too often we are intentionally ignored and locked out.

I want to know more about Team 4 and I want to know whether or not there has been an informal implementation of Team 4, because we hear that has not been a formal implementation, but I am very interested to know whether or not the kind of thinking that went into Team 4, in fact, is seen in what we saw on the tour today in North St. Louis.

I look forward today to hearing about better ways to go about our oversight. That has certainly been a priority for me in my own district, but it brings a new set of challenges. Right now, for example, I face daily the question of how to bring in large scale businesses that want to explore the underserved markets and poor sections of South Los Angeles while ensuring that those businesses bring us good jobs as well as low prices and do not crowd out our local small businessowners.

I know we have two panels of real experts on such questions, and I look forward to hearing from both panels. And with that, I will recognize now St. Louis' own, my colleague and good friend, Congressman Clay, for his opening statement.

Mr. CLAY. Thank you so much, Chairwoman Waters, and let me thank you for bringing the Subcommittee on Housing and Community Opportunity to St. Louis today to consider this important issue. Thank you for coming to my hometown, and welcome back to your hometown.

I want to also thank my colleague from Texas, Al Green, for his attendance at today's hearing. And he is a star. If you ever—for you C–SPAN junkies, you will find him at every hearing before the Financial Services Committee, and we appreciate his diligence. We appreciate his commitment to helping turn this country around. So thank you, Mr. Green, for being here.

Mr. GREEN. Thank you.

Mr. CLAY. Good morning and greetings to all of the witnesses and the members of the St. Louis community who are here today. I want to acknowledge the staff from the Subcommittee on Housing and Community Opportunity, as well as staffers from my office here in the District, as well as those who came here from Washington D.C. Thank you all for preparing for this hearing and for all of the hard work you have put in today.

We completed a bus tour this morning around parts of the First Congressional District, and that long suffering—this part of the District has long suffered from many development-related errors. Large sites like the abandoned Pruitt-Igoe housing projects and the old Carter Carburetor site on North Grand have not received the proper attention from either the government or the private sector.

And, you know, growing up in this community, I remember this site. I remember Dr. King Drive being such a robust retail and commerce section. So that's—you know, you can never go back to the past, but you certainly can reflect on that and remember what the potential is for this community. Neighborhoods have experienced major economic development and housing decay steadily over the past 30 years and in some instances even longer than that.

In the hearing this afternoon, we cannot place blame on a single person or government agency or even groups or individuals in government and government agencies. I mean, we are not here to play "gotcha" or the blame game today. What we can do today is listen to how we are supposed to attack these problems. We can listen to how citizens feel underserved by past policies, but most importantly, I hope we listen to new ideas and solutions and really try and figure out not so much what has gone wrong but figure out our respective roles in being part of real conclusions that benefit our constituents and fellow citizens' needs. And I hope that everyone is looking forward to today's hearing and this discussion with that perspective.

Madam Chairwoman, I thank you very much again for conducting this hearing and I yield back.

Chairwoman WATERS. Thank you very much. Now we will hear from Representative Al Green for his opening statement.

Mr. GREEN. Thank you, Madam Chairwoman. And I thank Representative Clay whom I will say more about in just a moment, but

I especially thank the chairwoman. It was stated that she is one of the hardest working persons in Congress, and I am proud to tell you that it is said that the Congressional Black Caucus is the conscience of the Congress. And if this is true, the chairwoman is the conscience of the conscience. She really deserves an expression of appreciation for what she does for people all over the country.

I am so honored to be here with my very good friend and colleague, Representative Clay, which is an appropriate name for him because he is somewhat of a sculptor of ideas. He is very creative. He doesn't think out of the box because he has never been in the box. See, he comes to us open-minded and always available to help a colleague with a new idea. I think that this area is indeed blessed to have him as a representative and I think he deserves a special thanks.

I'm honored to be in this historic building on what I perceive to be an historic occasion. I think it's historic because this may be the first time that Congress has looked into Team 4. It seems to me that this is long overdue, and if not for Congressman Clay and a committee chairwoman who saw the need, we might not be here today. So I'm honored to be in this historic building on this historic occasion, and I trust that our results will be historic as well, because while plans are not always codified and put into motion, we have to find out whether there's an informal process of putting into motion policies that can work to the detriment of communities.

We want to make sure tax dollars are fairly allocated and that taxpayers get a fair amount of their tax dollars returned to their community. It is my belief that we sleep in houses and we live in neighborhoods. I went through your neighborhoods on the north side today, and I'm concerned about where you live. And I'm honored to be here with my colleagues to hear from this august panel and another so that we can do what we can in the United States Congress to make a difference. I yield back the balance of my time.

Chairwoman WATERS. Thank you very much. Now we will hear from our panel. We have a panel of witnesses, the first of which is Mr. Stanley Gimont, Acting Director, Office of Block Grant Assistance, U.S. Department of Housing and Urban Development. And I would ask Congressman Clay to introduce the other witnesses on this panel.

Mr. CLAY. Thank you, Madam Chairwoman. Also on the first panel, we are joined by a person whom I have known for over 20 years. She has been a fixture in city government, and she is now the executive director for community development for the City of St. Louis, Ms. Barbara Geisman. Thank you for being here today.

Ms. GEISMAN. Thank you.

Mr. CLAY. Also on this list is someone else whom I have known for 25 years, whose father has been honored with the naming of this room by—of his father, and he is the Alderman of the 18th Ward, Alderman Terry Kennedy. Thank you also for being here.

Mr. KENNEDY. Thank you.

Mr. CLAY. Thank you very much. I would like to thank all of you for appearing before the subcommittee today. Without objection, your written statements will be made a part of the record, and you will now be recognized for a 5-minute summary of your testimony, starting with Mr. Gimont.

STATEMENT OF STANLEY GIMONT, ACTING DIRECTOR, OFFICE OF BLOCK GRANT ASSISTANCE, U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Mr. GIMONT. Good morning. My name is Stan Gimont, and I am pleased to be here in St. Louis on behalf of Secretary Alphonso Jackson. Thank you, Chairwoman Waters, for scheduling this field hearing to discuss the Community Development Block Grant program and the HOME Investment Partnership Program.

Within the Office of Community Planning and Development at HUD, the Office of Block Grant Assistance is responsible for administration of the CDBG Program, while the Office of Affordable Housing Programs manages the HOME Program.

The CDBG Program has been the Federal Government's primary vehicle for assisting State and local governments in undertaking the wide range of community development activities aimed at improving the lives of low- and moderate-income families. Since its inception in 1974, more than $123 billion has been appropriated for the CDBG Program. These funds provide a ready source of funding for housing rehabilitation, public services, infrastructure, and economic development activities.

The President's Fiscal Year 2009 budget proposes a State funding level of $3 billion for CDBG with the recognition that the Program's impact has become diffused over time. An additional $1.9 billion is proposed for the HOME Program in FY 2009. Concurrently, the Administration is again proposing CDBG reform legislation that would improve CDBG's ability to target funding to community development needs and demonstrate results.

These revisions address the CDBG formula, implementation of the CDBG challenge grant, consolidation of duplicative programs. and improved performance measurement requirements that will enable HUD and its grantees to demonstrate the benefits of the CDBG program.

One of the distinguishing features of both the CDBG and HOME Programs is the importance of local decisionmaking. The CDBG authorizing statute requires citizen participation in the development of plans for the use of CDBG funds and enables local officials to make the final funding decisions. HUD's focus is on the question of whether the activities funded by the local government meet applicable requirements with the particular focus on whether they are eligible for CDBG funding and meet a CDBG national objective. HUD's monitoring processes are intended to ensure that the requirements are met by grantees in the course of administering their CDBG and HOME Programs.

HUD collects extensive data on the use of CDBG, HOME and other formula program funds through its Integrated Disbursement and Information System (IDIS). HUD provides detailed disbursement information from each CDBG and HOME grantee on its Web site and aggregates the data to provide a nationwide snapshot on the uses of the CDBG and HOME funds.

Looking over the past 7 years, we see little change in the percentage of CDBG funds disbursed nationwide on a year-to-year basis for activities such as public improvements, housing, public services, and economic development. Public improvements represent the largest use of CDBG funds nationally, accounting for approximately 32 percent of annual disbursements in each of the past 7 years. The dollar amount associated with these disbursements is in excess of $1.5 billion annually, and through IDIS, HUD tracks disbursements for 24 different categories of public facilities.

With regard to housing, the single largest use of CDBG funds nationally is for rehabilitation of single residential units. In FY 2007, more than $582 million or 12.75 percent of all CDBG funds were disbursed for single family rehab purposes. This resulted in assistance to more than 117,000 units nationwide. Since the inception of the HOME Program in 1992, 53 percent of the HOME funds have been spent on rental housing development, 27 percent to assist new home buyers, and 20 percent for single family rehabilitation. In FY 2007, 28,000 rental units were produced using HOME funds, 29,000 new home buyers were assisted, and over 11,000 single family homes were rehabbed to Code.

Economic development is another focus of this hearing, and over the past several years, CDBG grantees have spent between 8 and 9 percent of their funds annually for economic development activities, such as financial assistance to for-profit entities and commercial and industrial infrastructure development. It should be noted that most economic development activities funded with CDBG dollars are carried out through the State CDBG Program. Over the past several years, the CDBG disbursement pattern for St. Louis is approximately 20 percent on housing activities, 20 percent for repayment of Section 108 loans, 17 percent for administrative and planning expenses, 15 percent for economic development activities, and 13 percent for public services.

Chairwoman WATERS. I'm sorry. What did you say the percentage was for administrative?

Mr. GIMONT. 17 percent. Annually, pursuant to the Appropriations legislation, there is a 20 percent cap.

HUD is pleased with the initial results of the new performance measurement framework that establishes clear measurable goals and community progress indicators for our formula programs. The collaborative effort to develop the framework stretched over 2 years and involved grantees, public interest groups and the Office of Management and Budget. Grantees were requested to begin entering data for all activities open in IDIS as of October 1, 2006. Fiscal Year 2007 represented the first full year of data from the framework, and HUD has been reviewing those data with an eye towards improving our reporting guidance and ultimately enhancing the data that we receive from our grantees.

I thank you for this opportunity to speak with you about the CDBG and HOME Programs and I look forward to answering any questions that you might have.

[The prepared statement of Mr. Gimont can be found on page 63 of the appendix.]

Chairwoman WATERS. Thank you very much. Ms. Geisman.

STATEMENT OF BARBARA A. GEISMAN, EXECUTIVE DIRECTOR FOR COMMUNITY DEVELOPMENT, CITY OF ST. LOUIS, MISSOURI

Ms. GEISMAN. Thank you. I'm going to turn my computer on, and would it be a terrible thing if I talked from over there?

Chairwoman WATERS. No. Go ahead.

Ms. GEISMAN. Thank you. Congresswoman and Congressmen, thank you very, very much for this opportunity to be present today. As Congressman Clay said, I am Mayor Slay's director for community development, and I am in charge of monitoring the agencies that work with the Community Development Projects.

First, I want to say that I am extremely pleased that you have given me the opportunity to talk today, and also I hope to learn something from all you other panelists, and I hope that if I ever get my computer working, you will learn from me.

The first thing I want to say is that the Team 4 report is 3 decades old and that I was in college when it was written. I have never read it and I don't know anybody else who has ever read it, and it really isn't relevant to anything that we have been doing for the past 7 years.

First of all, Mayor Slay has been in office since 2001, and what I'd like to do is just take a little bit to tell you about where we were in 2001 and where we are today. St. Louis is a city not within a county. It is landlocked by its 1876 boundaries of 62 square miles, and we have no way to annex other geographic areas, as some other cities do.

We were continuing to lose jobs and businesses, continuing to lose people, and we have lost more than 60 percent of our population since 1950. In 1950, we had 850,000 people, and over the last 5 decades, that has shrunk to approximately 350,000 people, or 60 percent of the population. And, as you might imagine, the fleeing population left behind wholesale abandonment of residences and business property, particularly in North St. Louis, and when property came up for sale, there was no one who wanted to buy it. There was no internal or external confidence in the City's ability to make progress and very little help.

In 2001, we established a series of goals. Those involved making the City a place where people affirmatively choose to live, choose to work, value physical diversity and, most importantly, value cultural diversity. We are working to rebuild the market for real estate throughout the City so that when a property comes up for sale, there is someone there to buy it and it does not get abandoned. We are working to retain and attract businesses, to rebuild our tax base, and to improve housing quality for our low- and moderate-income residents and our special needs residents all across the City.

Some of the strategies that we employed—and I could give more detail if there was more time—were to provide clear direction. One of the first things we did when Mayor Slay took office was to do the City's first land use plan since 1947. We did this in partnership with each of our 28 Aldermen and identified throughout the City areas where we wanted to encourage new development, areas where we wanted to preserve the physical assets that were there, and areas where we did not quite know yet what we wanted to do but there were opportunities for new stuff.

We wanted to capitalize on the City's unique historic properties, and to that end, we have been making more historic districts all across the City. We wanted to identify and build critical mass from neighborhood and City anchors, preserve and grow the City's revenue base, provide a wide variety of housing opportunities—affordable, luxury, rental, homeownership, historic, new construction, and single and multi-family.

We also—and this is a very important part of our strategy—as Chairwoman Waters mentioned, the block grant money has been strengthening, so we needed to expand the pool of incentives that we could use to augment scarce block grant and HOME funds. Federal and State historic tax credits, State Brownfields tax credits, tax increment financing, special Federal grants, low-income housing tax credits, and the City's own Affordable Housing Trust Fund are the tools that we have been using to make progress.

We also want to make more neighborhoods eligible for these incentives, like historic districts, so that we can save the scarce block grant and HOME funds for neighborhoods where they are necessary because the market does not exist anymore. We want to leverage private dollars, and a key component of our strategy is teamwork with the City's 28 aldermen whom we consider our very important partners in Mayor Slay's drive to make St. Louis a great city again.

Now, after 7 years, the City's population is growing again for the first time in 50 years. We have produced, in partnership with our aldermen, 26,000 new and substantially rehabilitated housing units, and that is approximately 15 percent of the housing stock, 176,000 units that existed at the time of the Census. We have stabilized our job base at 220,000. Our revenues are growing. Vacant buildings are declining, and development is occurring throughout the City.

We have 12 wards that are led by African Americans. These wards include approximately 41 percent of the City's population, 47 percent of the City's land area, 55 percent of the City's low- and moderate-income population, and 54 percent of the City's population in poverty. It's also important to note that the City's African-American population is now scattered throughout the City and, according to a study by the University of Wisconsin, we are one of the most integrated cities in the country on a block-by-block basis. We have focused in this presentation on the wards that are led by African Americans because there was a short timeframe to do this and because we have been working closely with them to make progress.

An average of 59.3 percent of the combined HOME and block grant funds used in specific geographic areas was used in wards led by African-American aldermen, then that percentage was 69.4 percent in 2007. I have some more stats here, but I won't take the time to go through them.

I will tell you, however, that an average of 64.3 percent of our dollars that are allocated for housing production went to wards led by African Americans, and that grew to 68.6 percent in what we budgeted for 2008. In these wards, there has been $1.7 billion in physical investment, according to the City's building permit records, over the last 7 years, and 8,200 new and substantially rehabilitated homes. That investment is throughout—there is investment throughout the north side in the City, and it's growing north and south from the central corridor because the central corridor is the anchor—the primary anchor from which we grow.

I also want to point out that less than half of 1 percent of our block grant funds were spent downtown in the last 7 years. It was approximately a half-a-million dollars, and these went for loans to start up new businesses. We have, you know, almost exclusively reserved our block grant funds for use in neighborhoods.

And in the top ten wards for investment in the last 7 years, 6 of those 10 wards are led by African Americans. We believe that those facts and figures show that we have made a lot of progress, both in North St. Louis and throughout the City, but as you saw on your tour this morning, we know we have a long way to go, particularly in the most distressed parts of North St. Louis. That is why we have been working closely in partnership with the City's African-American aldermen to identify major residential development initiatives, to develop a 5-year plan to fund those initiatives and to focus our block grant and HOME money and other limited cash incentives on projects of sufficient scale to engender long-term revitalization.

These projects involve $141 million in residential development to produce 350 homes, using $54 million from a variety of incentive mechanisms, HOME and block grants certainly, but also the Affordable Housing Trust Fund, capital improvement sales tax money, City demolition and parks money and a variety of other incentives. And our goal is to produce a major project in each of the City's wards.

We also have—and I have a list of them in my handout that the Congressmen have—a number of other initiatives.

And the final point that I want to make is that all of this revitalization, particularly in the most distressed neighborhoods, is expensive, and if we had more block grant and HOME funds, we could certainly do a lot more. As Congresswoman Waters pointed out, our block grant funding since 2001 has dropped 30 percent and we lost $2.2 million—

Chairwoman WATERS. Your time is up. Thank you very much.

Ms. GEISMAN. Thank you.

[The prepared statement of Ms. Geisman can be found on page 44 of the appendix.]

Chairwoman WATERS. We will move on. Alderman Kennedy.

STATEMENT OF THE HONORABLE TERRY KENNEDY, ALDERMAN, 18th WARD, ST. LOUIS BOARD OF ALDERMEN

Mr. KENNEDY. Thank you, Madam Chairwoman, and members of the subcommittee. You know, I'm also the chairman of the African-American caucus, and on behalf of that caucus, we welcome you here. This is an historic occasion, and we are happy to be here. We have a number of our members also out in the audience.

It is difficult to talk about the expenditures of money without talking about the culture from which it emanates. The story is that St. Louis is in the Midwest. We must keep in mind that if it is, it is one of the few Midwestern cities that had slavery. That gives you some notion of the culture that is here, my point being that St. Louis has a history of the illness that has also affected other portions of this country that, in my opinion, has yet to be either fully diagnosed or remedied, this illness that says one person is less than another or that one person deserves less than another and the same illness that causes people to oppress one and not the other. Frederick Douglas said if you put a chain on one person, the other side of that chain is on the person who chained them. Ultimately this kind of oppression and discrimination hurts everyone, those who are the victims as well as the ones who are applying the victimization.

In that context grew the Team 4 plan. We are taught that this plan developed around 1974. For me it is history. For some of the other aldermen who are here it is memory. They were in office at the time that the plan was created. You must recognize the context. At that particular time St. Louis was losing population. Its height of population around 1950 was around 900,000 people; by 1970, it was around 700,000. Its African-American community was growing. Its poor underclass was also growing. That population primarily resided in North St. Louis, the white population primarily in South St. Louis. The central corridor itself primarily held the major institutions, businesses, and factories throughout the City. This is a corridor that runs straight through the middle of the City. You'll find your major universities there; Washington University, St. Louis University; your major hospitals; downtown St. Louis; the Central West End, and it extends all the way out to Clayton to the county. They call it the east/west corridor, the central corridor.

The Team 4 plan grew out of that time period of the change in population, as well as the context of the Civil Rights movement, the growing black cultural movement, the women's movement, and the anti-war movement. Out of all of that, grew this Team 4 plan in 1974. It basically put forth that the City, in terms of its development, should categorize itself in three major portions: conservation; redevelopment; and in transition.

The conservation area was to receive a significant amount of Federal dollars for development, as well as concentrated City services. The areas that they say were for redevelopment were areas that were essential not only to the City but possibly to the region, and that area also deserved, in the opinion of public Team 4 plan, to be—to receive a significant amount of dollars and concentrated City services. The area that was called conservation itself was a relatively stable area from good to, in some cases, very excellent housing. The area that was considered for redevelopment, primarily the central corridor, did require some work, but it still had good housing stock.

And then the area in transition was primarily the area where African Americans found themselves, and that was in North St. Louis. The notion for that area is that the land would be able to—the area basically would be allowed to die.

City services would be somewhat relaxed, and the response time would not be as great as other parts of the City. And then ultimately the notion would be that people would move and the land would be banked for future endeavors or future development.

Though the City—now, you can imagine that in 1974 with the activity and all the kinds of movements that were going on at that time that when people heard this, it created a fire storm, certainly it did. Elected officials, people in the community all raised up against it. The City at that time did not officially adopt this plan;

however, if you put it in the context of the culture of the mentality of the City, then of course you can recognize that it became a natural step for many to continue in that direction.

Recognizing that is not an indictment on any one individual, I'm trying to put it in the context so that we recognize that even the ones who may be implementing this are also suffering. They suffer in that this kind of discrimination, in my opinion, limits everybody. To think about discriminating against another is a limiting act.

You carry that and you limit yourself. We all suffer from it. And I believe that St. Louis is suffering from that.

Ultimately, it has seen what we see today, large tracts of land that are in North St. Louis.

The central corridor down through the years has received significant amount of monies for development. The north side has not seen that. And South St. Louis for the greater part has seen the stabilizing kinds of actions.

Now, even if you could statistically prove that was not the case, the negotiation of Team 4 itself is still this specter in the minds of people, and that itself can cause the kind of distrust that you can presently feel in the City of St. Louis. I have to put it also in this context, because St. Louis, though it was a city in a State, Missouri State, that had slavery, it did not, in my opinion, benefit from the reconstruction that other parts of the United States in the South received when the North occupied and reconstructed the economic and political systems. So the South did have its problems. I mean, even the St. Louis Police Department has been controlled by the State since 1861 when the war broke out. Again I'm just trying to put it in the context of understanding how these dollars have been spent and why they have gone in those directions, and therefore when you traveled in those areas, you saw the result of that.

That is not an indictment of this particular Administration; it is the culture, in my opinion, that also it emanates out of that we also must address. That is more difficult, but certainly legislation, very solid legislation, can begin to address it.

There are certainly more monies that are needed. We're beginning a dialogue in a way that we have not had a dialogue before, even with the present Administration, that we're feeling is moving to some benefit, but if we're going to ultimately end this specter, then the whole thing, in your opinion, needs to be reorganized and significant amounts of dollars, not just portions of the block grant but major portions, if not the entire piece, comes into the areas of the greatest in need. These are the areas that generate the dollars. These are where the dollars should be directed. Thank you.

[The prepared statement of Mr. Kennedy can be found on page 69 of the appendix.]

Chairwoman WATERS. Thank you very much. I would like to now begin our question and answer period. I had organized a few questions based on the voluminous material that I had reviewed, but since hearing your testimony, I think I'm going to reduce these rather academic questions to some very pointed ones, recognizing that our colleague here, Mr. Clay, has set the tone by saying we're not out to blame anybody, that we're here to see what we can do about finding out how resources are allocated and how we can better plan, if that's a need.

Let me ask Ms. Geisman, why has the Pruitt-Igoe site been left undeveloped and basically in the middle of the City in ruins and, as I understand it, become a dumping site and even have animals that are there? Why hasn't something been done with that?

Ms. GEISMAN. The Pruitt-Igoe site—I believe Pruitt-Igoe was demolished in the late 1960's, early 1970's, and through the years—and, again, you know, this has gone on for a really long time—it has become a repository for people in the middle of the night dumping—

Chairwoman WATERS. We know all of that. What is the plan?

Ms. GEISMAN. The environmental clean-up cost is in the neighborhood of \$15- to \$30 million. So the St. Louis Development Corporation, Otis Williams and Rodney Crim, whom I believe some of you met, have been working over the last 5 or 6 years on getting a handle on what the environmental conditions on that site are, because it's 33 acres, there is a whole bunch of different stuff scattered all over it, and once that characterization is complete, we could begin to figure out what we can do to reuse it.

Chairwoman WATERS. So you don't have any real concrete plans?

Ms. GEISMAN. No.

Chairwoman WATERS. At this time?

Ms. GEISMAN. No.

Chairwoman WATERS. No identification of resources or dollars, not even an assessment of the property to talk about what the clean-up really, really should be? It's just sitting there, as it has been for the past 30 years or so.

Ms. GEISMAN. Yes. And I'm sure you all know, there are different clean-up standards for different uses. That's why I gave the range of \$15- to \$30 million. I think we believe that the best use of the site would be a commercial use that would produce jobs and not require the—

Chairwoman WATERS. What about the Carter Carburetor site?

Ms. GEISMAN. Carter Carburetor is another problem, and let me take a second to explain that. Carter Carburetor was a building that was sold to a private, quote, "re-developer" probably about 15 years ago. That private re-developer took a backhoe and broke up all the electrical transformers, which were PCB transformers at the time. He dragged that stuff all over not just the building but over the acreage adjacent to it, and Otis and Rodney have been working again diligently for 5 years with the EPA and with the previous owner of that property, ACF, Carl Icahn's company, to clean up the site.

Chairwoman WATERS. Did anybody file a lawsuit?

Ms. GEISMAN. I think the—it's a Superfund site, so it's in the EPA's hands, and we are just attempting to cooperate with the EPA. The problem is—and I think finally he might be ready to do so—the guy who owns it won't let the EPA and the, you know, ACF people who do have money on the site to clean it up. So—

Chairwoman WATERS. Am I left to believe that the City of St. Louis does not have the ability, the authority, the wherewithal to confront that kind of resistance?

Ms. GEISMAN. One thing that has changed recently is that the gentleman was way behind in his property taxes, and we had been encouraging the former collector of revenue to file a tax suit on him for a number of years. The new collector of revenue, when he got elected, was ready to jump on that, but then the guy magically came up with the tax payment. So—

Chairwoman WATERS. So someone who has been sitting on such a property in the middle of the City has been able to outfox, outsmart, and elude all of the smart people in the City?

Ms. GEISMAN. Unfortunately, that is correct.

Chairwoman WATERS. Mr. Gimont, I know that you attempted to describe HUD's responsibility and you attempted to make it clear that the decisions are made locally and that you have only limited authority to put the money out there, etc., but I want to make sure that we understand what you're saying, because this oversight committee is taking a look at CDBG management and the relationship to the Feds, to the cities, to see what we may be able to do in the future. Would you quickly tell me what you think is your responsibility for the management of CDBG funds in the City?

Mr. GIMONT. First off, HUD's primary responsibility on the front end is to ensure the equitable distribution of money to the local governments pursuant to the statutory formula, so the distributions to the local government are driven by that formula which is written into the law. Once we notify the grantees as to what their allocations are, they go through their annual planning processes to identify on a 3- to 5-year period the broad uses that they would like to achieve with those funds and then they file an annual update to that, an action plan, which gives a little bit more specificity with regard to the activities—

Chairwoman WATERS. Are you familiar with St. Louis' plan?

Mr. GIMONT. Personally I am not, but I do have with me Ms. Deanne Ducote, who is our CPD director here in our St. Louis office, and I would like to direct any question to her, if I might, with regard to specifics on the St. Louis plan.

Chairwoman WATERS. All right. I'm going to hold off on that, because I want my colleagues to have an opportunity to get their questions in, but I'm going to go to Mr. Kennedy.

I thank you for the historical background and for putting it in a context that may help us to understand that it just may be in some instances benign neglect. Knowing what you know and us having seen what we have seen and understanding what some of the problems are as they have been identified; diminishing population, of course never enough resources, etc., do you think that the resources of CDBG and HOME, Section 108 and other kinds of Federal programs have been spent adequately and equitably?

Mr. KENNEDY. No. In the City of St. Louis, no.

Chairwoman WATERS. In the City of St. Louis?

Mr. KENNEDY. No. No. It primarily went—as I said, again, though the Team 4 plan was not adopted, the money still followed that kind of pattern.

Chairwoman WATERS. Does that have anything to do with the so-called initiatives of my past colleague, Mr. Gephardt?

Mr. KENNEDY. Yes.

Chairwoman WATERS. And his colleague at the time, as they talked about, development of the south side.

Mr. KENNEDY. Yes.

Chairwoman WATERS. Would we be able to track that, the resources of these programs being directed—

Mr. KENNEDY. Yes.

Chairwoman WATERS. —to the south side over a period of time over—

Mr. KENNEDY. Yes, you should be able to. Now, that is not to say that according to the guidelines that they did not all qualify, my point being that those were not the areas of the greatest need. And that can be a significant difference. They might have qualified, but were they areas that needed the greatest input of dollars? No.

Chairwoman WATERS. Then in your estimation, is the input of the aldermen such that between the aldermen and the public do you have the opportunity to take a look at and be a part of the plan for the expenditure, for example, of CDBG and to make sure that the plan that emerges is paying attention to all parts of the City? How does that work here?

Mr. KENNEDY. Well, here primarily we generally—the process is that we propose projects. And, of course, to have a project, you need to have a developer. And that's part of the problem in our areas, having those with the capacity to be able to do the projects. And when you've had a—a community of years of disenfranchisement, you have to build that capacity. So that's one problem.

So we basically go in and we propose projects and we negotiate whether or not we can get those funded. That has been since I've been in office since 1989.

Chairwoman WATERS. Whom do you negotiate with?

Mr. KENNEDY. We negotiate with the Mayor's office and their representatives.

Chairwoman WATERS. So does the process go through the Board of Aldermen and subcommittees hear it and the community proposes projects that could end up before some committee or subcommittee? Does the Mayor have the ultimate say on these? I mean, how does it work?

Mr. KENNEDY. Well, you have—in anything here, you have to have 15 votes to get it passed. It does have to come through the Board of Alderman. And so then it's a matter of garnering those votes. Now, we are, in terms of the African-American community, out of 28 alderpeople and a president, 29 individuals, we are 12, so we do not have the majority. And that has been the case down through the years. There have been even less aldermen in earlier years.

Chairwoman WATERS. The votes go on racial lines.

Mr. KENNEDY. Oftentimes, yes. Because, again, if you keep it in the context of the history and the culture, then you can understand that usually being the case. We go in, we propose projects if we have them. That means we have to have a developer with the capacity to do it. If you're able to do that and garner that, then you go in and negotiate on those particular projects in relationship to the other projects and then we try to get that passed. It is a relatively very politicized process. Depending upon who is in office at a given time, they may or may not want to hear what you have to say, whether you have someone there or not. And unfortunately the way the guidelines are written it does allow for that, you know, at this kind of level. So there may be some other things to be proposed at that point.

Which brings me to the point that, again, these other projects may have qualified, but they are not the areas with the greatest need.

Chairwoman WATERS. Thank you very much. Mr. Clay.

Mr. CLAY. Thank you so much, Madam Chairwoman. Let me start with Mr. Gimont and Ms. Geisman, and Mr. Kennedy can respond also. We understand that St. Louis is presently under investigation from HUD because a recent audit showed that the City has misspent CDBG funds. The allegation is that the City lent block grant funds to businesses that should in turn hire low- and moderate-income residents. These businesses did not hire the low- and moderate-income residents. This is an example of the types of local decisionmaking that is so disturbing to so many residents. Can you explain how this can happen and what are you going to do to turn that around? Let's start with you, Mr. Gimont.

Mr. GIMONT. Certainly. The audit that you speak of was done by the Department's Office of Inspector General, I believe, and they went out and did their audit and turned that back over to the Office of Community Planning and Development here in our St. Louis office for further resolution. CPD goes out and monitors grantees periodically with regard to the activities that they have carried out.

Again, on the front end we are looking to see that what they are proposing is permissible, then we go out on the back end and monitor for compliance. And the Inspector General steps in wherever they feel that they have a role to play or that there's an issue for them to investigate. I know that our CPD staff here in St. Louis have been reviewing these issues with the City in an effort to try and resolve the outstanding findings on the City's economic development program. We give the grantee the opportunity to present information which would explain the findings of the audit, and then we work with the Inspector General to resolve the issues.

If we find that what the Inspector General has come up with is sustainable and that there is no support for the activity in the sense of the national objectives, that the jobs were not created, then we are in a position to take a range of sanctions against the City for that shortcoming.

Mr. CLAY. And in this case, how do you remedy this? I mean, do you do it in the next cycle of CDBG funding where they have to also offset what damage was done initially.

Mr. GIMONT. Again, we have a range of sanctions that we can go to, depending on the nature of the infraction. In some cases, we require the grantee to put in place better processes and procedures. In other cases, we would require the grantee to reimburse its line of credit for the cost of activities that did not meet the programatic requirements. We have not reached the point yet with that audit as to what we are going to do.

Mr. CLAY. Okay. Ms. Geisman, what's going to happen?

Ms. GEISMAN. First of all, I believe that the audit—I'm not quite sure what the exact language was, but the issue was that the St. Louis Development Corporation did not have adequate records to document the job creation, or job retention as the case may be. Since the time of the audit, SLDC's staff has gone back and collected all of the records from all of the businesses that are still in business.

Several of the businesses actually went out of business, and so there may be one or two where the records could not be collected.

So I think that then the other thing we did immediately, even while the audit was going on, is put a new system in place and hire new staff to make sure that the records were maintained in the future, because I for one was thoroughly disgusted that, you know, maybe you can't make a business stay in business, but you can certainly keep the records that you're supposed to keep. So we now have a whole new system, whole new people monitoring it, and we collected all the records that we could from the previous businesses. And I think that we have responded through HUD's—

Mr. CLAY. Well, wait a minute, now. You understand that there has been some damage caused here because the jobs were not created?

Ms. GEISMAN. Yes, they were.

Mr. CLAY. The lower- and moderate-income people did not receive that employment opportunity—

Ms. GEISMAN. They were created in accordance with HUD's regulations.

Mr. CLAY. Wait a minute, now. That's not what happened here. You said the companies went out of business, so there weren't jobs created there. You said that your recordkeeping was not good, so you cannot document the creation of those jobs. Now, understand that there has been damage done here.

People did not get those economic opportunities like the law required and like we assumed, we the Federal Government and HUD assumed, so going forward, the City should make the extra effort to actually create those economic opportunities, create those jobs based on every $50,000 of CDBG funding that you give in the form of a loan to a company. Would you all go forward and do that and make up for the jobs you didn't create in the previous cycle.

Ms. GEISMAN. I think we did document that we created at least one job for every—

Mr. CLAY. Well, wait a minute, now. Hold on. That's not what happened. I know you have your local person here, but it didn't happen. It didn't happen like that, Ms. Geisman.

Ms. GEISMAN. We documented it after the fact, though, which was a problem—

Mr. CLAY. But you didn't create the jobs. If the company closed, you didn't get the job anyway.

You know? It didn't happen like that. You have to realize that you have to move forward and you have to be sincere about what these dollars are for, that they are there to create economic opportunities for the low- and moderate-income citizens that we all represent. And we have to move forward and you have to tie that funding to actually creating those jobs. If you're going to have this loan program, it has to be done this way.

Ms. GEISMAN. And we understand that and are doing it.

Mr. CLAY. Let me go to Alderman Kennedy. According to Ms. Geisman, the issues raised by the team for the plan are not relevant. Can you give the subcommittee another perspective? Have development policies treated all sections of the City equally and does North St. Louis receive the same attention as other sections of the City?

Mr. KENNEDY. That's your question?

Mr. CLAY. That is the question.

Mr. KENNEDY. Again the answer is no, from our opinion. My comments also included some of the thoughts and ideas from other members of our caucus, so I was not just speaking from my thoughts. No, we do not feel that those dollars have been spent adequately. We feel that North St. Louis is the area of the greatest need. Now, that has been since the Team 4 plan and before, and it is—the Team 4 plan did not create the notion of moving blocks and blocks of people of color. I mean, the City—that had been done before then with Mill Creek. That was before Team 4. So this notion existed before Team 4. Team 4 simply put it in more modern terms in 1974, a document that was created by a group of consultants that spelled out those specific three areas. No. In our opinion, the dollars have followed the intent of that plan, and therefore the bulk of that money went in the central corridor and south.

Mr. CLAY. I have another question, Madam Chairwoman, for Ms. Geisman. You say that the Carter Carburetor site would cost $15- to $30 million in clean-up cost. When you look at that site in the City, I cannot find a similar site in any other part of the City. I wouldn't find it in the Skinker-DeBaliviere neighborhood. I wouldn't find it on the Gravois Boulevard. I wouldn't find it in any other part of the City. And if it were in another part of the City, it would be a major undertaking by the City Government, and I think that the Carter Carburetor site should be a major undertaking by this government and by this community. Do you agree with that?

Ms. GEISMAN. I do.

Mr. CLAY. Okay. And then we will now direct your resources to tackle that issue, like Ms. Waters said, that we may need to consider a lawsuit.

Ms. GEISMAN. Well, let's see. On Carter Carburetor, I do not know what the cost to clean that up is. Pruitt-Igoe was the one—

Mr. CLAY. Well, you said $15- to $30 million.

Ms. GEISMAN. Yes.

Mr. CLAY. Okay. Let me ask you one other thing about the LRA property. You talk about access to property and how easy it is for residents to buy or lease this property. When we rode through North St. Louis—you have been there, too, and you have seen these huge squabs of vacant lots and boarded-up buildings. You know that LRA owns quite a bit of that property.

Ms. GEISMAN. Yes, they do.

Mr. CLAY. How easy is it for residents of the surrounding community to actually purchase those lots, to purchase that property, or even to lease it? I know you do long-term leases, too. How easy is it for my constituents to actually come down to your office and to say, I want to purchase this lot? What happens? What is the process?

Ms. GEISMAN. It is very easy for any owner to purchase a side lot next to their home where they live that is not part of something that we consider a development site. Ideally what we want is for the abandoned areas of North St. Louis to be rebuilt with new homes. In those instances where it is part of a development site, then we will give the owner/occupant who lives next door a garden lease on a year-to-year basis so they have total control of the property until and unless there's a development that comes along.

Mr. CLAY. What is the timespan—

Ms. GEISMAN. The timespan of that should be 45 days.

Mr. CLAY. 45 days, all right. Madam Chairwoman, I yield back.

Chairwoman WATERS. Thank you very much. Mr. Green.

Mr. GREEN. Thank you, Madam Chairwoman. And I thank the witnesses for the testimony. Let me start with a commentary. We live in a world where it is not enough for things to be right; they must also look right.

And it doesn't look right—even if it is right, it doesn't look right for a Team 4 plan to surface and for us to say that it has not been adopted but to see all of the evidence of its adoption. There's something wrong. I have some grave concerns that I cannot go into because I'm going to honor the spirit of this hearing, but we're talking about lives that have been impacted adversely. Team 4 may not have been adopted, but it appears that the spirit lives on. It may have died, but that spirit lives on.

Now, let's talk about Carter Carburetor first. Is it true that there's a school near this site?

Ms. GEISMAN. What there is, as far as I know, is the Herbert Hoover Boys Club.

Mr. GREEN. Is it true that it is near the site?

Ms. GEISMAN. That club is across the street from the site.

Mr. GREEN. Is it true that it is within 100 yards of the site?

Ms. GEISMAN. I believe it is.

Mr. GREEN. Now, is it true that the City has a legal department?

Ms. GEISMAN. It is true.

Mr. GREEN. Is it true that the City's legal department files lawsuits?

Ms. GEISMAN. That is true also.

Mr. GREEN. Is it true or not true that the City's legal department has filed a lawsuit against Carter Carburetor, given its juxtaposition to children?

Ms. GEISMAN. I do not believe that the City has filed a lawsuit against the owner of the property. Carter Carburetor has not owned that property for many, many years.

Mr. GREEN. Is it also true that the City has not petitioned the Federal Government for clean-up funds?

Ms. GEISMAN. That is not true. We have been working for at least 5 years that I know of.

Mr. GREEN. You mentioned the Superfund.

Ms. GEISMAN. I'm sorry.

Mr. GREEN. You mentioned the Superfund.

Ms. GEISMAN. Yes. The EPA meets with—

Mr. GREEN. Let me mention another type of petition. What about something called an earmark? Have you requested an earmark to help you with this?

Ms. GEISMAN. I do not believe that we have.

Mr. Green. We have bridges going to nowhere with earmark backing. It just seems to me that the City would request that we spend some Federal dollars. And we want the request to come from you on this type of project.

Let's talk about now the Pruitt-Igoe matter. I hope I'm pronouncing this correctly, Pruitt-Igoe?

Ms. GEISMAN. Yes.

Mr. GREEN. Have you asked the Federal Government to provide clean-up funds for that project?

Ms. GEISMAN. I believe that we have received money from the Federal Government to do the environmental characterization, which is a process of testing each area of the site and analyzing what the contaminants are.

Mr. GREEN. And without a long statement, what is the timeline on this process?

Ms. GEISMAN. I would have to check. I don't think that it should be too long before that's completed, but I don't know.

Mr. GREEN. Has the City developed a plan for the north side, a revitalization plan for the north side?

Ms. GEISMAN. What we have done is develop a plan working with the aldermen that identifies where we want to keep and revitalize the existing housing stock and businesses, where we want to attract new construction of both residential and retail to support the residential, where we want to do large scale commercial development to serve the people that live on the City's north side and where we want to seek opportunities or seek, you know, creative ideas for what to do with particular locations that we think have a lot of potential but don't have any, I guess, directive vision for them yet.

Mr. GREEN. Does that mean in some other language, perhaps, that you're kind of working on it?

Ms. GEISMAN. No. 90 percent of the north side is in a definitive area where we are working diligently to make progress. Now, that does not mean that we're going to fix everything overnight. For example, the North Riverfront area, I think, provides jobs for a lot of north side residents. There are many businesses in that area. We are working closely with the aldermen and alderwomen to revitalize that business area. Similarly, we are working with Alderman Bosley in the third ward to revitalize and rehabilitate and use historic tax credits to redo—

Mr. GREEN. Permit me to move to Mr. Kennedy before my time is up. I appreciate your response.

Mr. Kennedy, from your perch, does there appear to be a revitalization plan for the north side?

Mr. KENNEDY. It is in progress. As I said earlier in my opening remarks, that is a new dialogue that we have begun with the Mayor's office, that we have worked on for the past several months. That does not, of course, answer all the decades of problems before then. So in answer to your question, no, there is no overall plan for North St. Louis.

Mr. GREEN. No disrespect to anyone. Let me say this: I love all of you, not in a romantic sense, but in a sense that I have a deep abiding affection for you and I care about you as human beings, so having said that, I think I can make this comment:

In Texas, what you have just said is what we call, "fixin' to do." Sounds like you fixin' to do something for the last few months, which is not a long period of time to fix to do, and it is my hope that we can continue to work with Congressman Clay, who really has done this community a favor today. I'll give it back to you, Madam Chairwoman.

Chairwoman WATERS. I want to make sure that I have my notes correct prior to leaving. Ms. Geisman, you have been in City development for quite some time, not just the past, what, 8 years?

Ms. GEISMAN. I started out as an architect with the Public Works Department in 19—

Chairwoman WATERS. How many years ago?

Ms. GEISMAN. —1978. Then I was an architect for the Community Development Agency for 5 years after that.

Chairwoman WATERS. So you know this City pretty well.

Ms. GEISMAN. I hope so.

Chairwoman WATERS. And in knowing the City pretty well, you are quite familiar with not only the sites we have identified today as problem sites but all the others.

Ms. GEISMAN. Yes.

Chairwoman WATERS. You know where all of them—

Ms. GEISMAN. Well, I don't know where all of them are.

Chairwoman WATERS. You know and understand the vacant, boarded-up properties and what has happened over the years, you know these toxic sites and these abandoned sites, you know all of this as well as anybody, right?

Ms. GEISMAN. Probably as well as anybody.

Ms. Waters. Why is it this has only been a conversation for the past few months?

Ms. GEISMAN. I don't think it has only been a conversation for the past 2 months. I think we have been having conversations with individual aldermen for the past 7 years. It is only recently that we have been meeting with the African-American aldermen as a group. Every year before we do our block grant budget that goes to the Board of Aldermen, I have met personally with each of the City's 28 aldermen to discuss what is in that budget for their wards and to discuss initiatives that they might be pursuing.

Chairwoman WATERS. Is it safe to say that given the aggressiveness maybe of Mr. Gephardt and others and attention that they have paid to the south side that they have done a better job, they have gotten more resources, and they have been able to do the development much better on the south side?

Ms. GEISMAN. I think that might be true for when the people were, you know, in office then and in charge of things then, that may have been true then, but for the past 7 years, it is certainly not true.

Chairwoman WATERS. Certainly not true, meaning that you have demonstrable achievements that you can point to on the north side.

Ms. GEISMAN. Yes. Definitely.

Chairwoman WATERS. I'd like to thank you all for your testimony. Thank you for your patience. Thank you for attempting to answer our questions. And I'm going to dismiss this panel, but I'll leave you with this: There are some new people in charge now, and we have new committee members who come from communities that were denied and we have the experiences to bring to Congress in ways that they have not been brought before. And you'll find that there are children of slaves and grandchildren of slaves and great great-grandchildren of slaves who now are going to make some decisions. And so we would like to share that information with you because we want you to be in a cooperative mode as we try and work out these problems. Okay? Thank you very much.

We would like to ask our second panel to come forward. Let's see. The Chair notes that some Members may have additional questions for this panel which they may wish to submit in writing. Without objection, the hearing record will remain open for 30 days for Members to submit written questions to these witnesses and to place their responses in the record. Thank you very much, panel.

I welcome the second panel. And Mr. Clay will be right back to introduce the second panel. Thank you very much.

Okay. Mr. Clay will introduce our second panel.

Mr. CLAY. Thank you, Madam Chairwoman. On our second distinguished panel, starting off, we have Ms. Jamala Rogers, who is the chairperson for the Organization of Black Struggle. She is also a noted journalist. Thank you for being here, Ms. Rogers.

Second we have, whom you have also met, Mr. Michael Jones, the senior pastor of Friendly Temple Missionary Baptist Church, and we have seen some of his development today. Thank you so much for giving us your Saturday, Pastor Jones. We appreciate it.

Third we have Mr. John Talmage. John is the president and CEO of Social Compact, Inc.; he is going on this journey with us as far as how we find solutions to some of the issues that impact this community.

Fourth we have Mr. Tom Zuniga, the managing director of DSG Community Marketing Services, L.L.C., and he went on our bus tour today with us and he was just—I think he was totally amazed today. We thank you. Welcome to St. Louis. Thank you for being here.

Mr. ZUNIGA. Thank you, Congressman.

Mr. CLAY. We look forward to your testimony.

And last, but not least, a young man whom I met a couple of years ago once he was elected as the Mayor of Cincinnati, Ohio, the Honorable Mark Mallory. Welcome to St. Louis, Mayor Mallory.

Mr. MALLORY. Thank you.

Mr. CLAY. He was also on the tour today. And we look forward to the entire panel's testimony.

Thank you.

Chairwoman WATERS. Thank you very much. And without objection, your written statements will be made a part of the record. I'm going to call on each member of the panel for 5 minutes, and normally I would ask the Mayor to speak first—I think that would be the correct protocol—except, Mr. Mayor, I would like for you to really wrap it up and tell us about some of your positive experiences after we hear all of this.

Mr. MALLORY. That sounds great.

Chairwoman WATERS. So if you don't mind, I would like to start with Ms. Rogers.

Mr. MALLORY. Absolutely.

STATEMENT OF JAMALA ROGERS, CHAIRPERSON, ORGANIZATION FOR BLACK STRUGGLE

Ms. ROGERS. Thank you. Good afternoon. I'd like to thank the subcommittee for hosting this very, very important hearing and particularly the office of Congressman Clay for seeing the importance of it as well. I'd like to also acknowledge that today is International Women's Day which I think is appropriate because as we look at the impact, the negative impact, of Team 4 and its policies, it has disproportionately affected women and children in the Team 4 area.

This has been an intergenerational struggle, in that when I hear somebody like a young Alderman Kennedy—I worked with his father around the Team 4. Kennedy was at Howard University in school, and now he's here dealing with the same issue. The same holds true for the young Congressman whose father was working on this initiative at the time, and when I looked at some of our organizational archives, it was Congressman Clay who sort of led the charge against Team 4 during that era. So I think that you have an obligation, Congressman Clay, to continue that legacy and to really try to bring some remedies to the situation that the north side has been hemorrhaging since the Team 4 plan.

And although I agree that some of this was going on prior to the Team 4, Team 4 certainly attempted to codify some of the racist and economically unjust housing and economic plans that we still see today. I find it interesting that the Mayor's representative of, quote, "development" had not read the Team 4 plan, and not only had not read it but had already deemed it irrelevant. I think that is the kind of arrogance and insensitivity that we have seen from this administration for the years that the Mayor has served, and I think you would be—at least I'm offended by that kind of arrogance and insensibility. But it gives you a sense of what we have to deal with here in St. Louis.

I want to add a little bit to what Alderman Kennedy talked about in terms of giving you some historical context, because, again, he was away at school; we were right here in the center of it. I will first start off and talk about the Kerner Report, which coincidentally celebrated its 40th anniversary last month. In the Kerner Report, many people thought that was also a way to acknowledge the kinds of conditions and life, quality of life, that African Americans had in this country in the urban cities across the country, and they included chronic poverty, police violence, high unemployment, poor schools, and the lack of access to health care, all of those things aggravated by racism, and true enough, that was also affirmed in the Kerner Report, but many of us also know that it was a clearing call for city fathers, particularly those cities where there was concern about what was going to happen to middle class—upper middle class white people, that they needed to understand what was about to happen.

Because the Kerner report basically said that given the circumstances, and given the circumstances that there's not going to be very much intervention into these particular factors, that we can expect more rebellions coming out of the 1960's and they would be even more deadly so that there needed to some way of disbursing concentrations of black people so that that would never happen again. So the backdrop really is the Kerner Report. Several months after that, Dr. Martin Luther King was assassinated, and we saw the kind of rebellion that hit the country—the cities across the country.

But the stage was set for Team 4 based on that in 1973 when you had Mayor Alfonzo Cervantes who was responsible for the creation of the Land Utilization Authority which later became one of the greatest and largest landowners in the City of St. Louis of abandoned buildings. You also had that same year Alderman Richard Gephardt, at the time alderperson, and John Roach passing bills that were to demolish several thousand buildings on the north side but preserve that same number of buildings on the south side.

Ironically, John Roach then went on to become head of the City's first community development ABT, and we know what happened to Congressman Gephardt. So things were pretty much buzzing around that time. And we also had that there was the Team 4 plan where a number of developers were asked to look at all that was going on and come up with a plan.

You also had probably one of the biggest declines in the City's population from 1970 to 1980, and what we would have seen if we had followed the trajectory was that the numbers of African Americans should have been increasing, if we were to look into the trajectories, at that time. And so we started to see that that was not going to be the case, and we didn't see it in the 1980 Census, the 1990 Census, and we certainly didn't see it in the 2000 Census. And as we know, those kinds of housing patterns, that kind of population, has a lot to do with political power that's going to be consolidated in terms of African Americans.

One thing I would like to correct in terms of what Alderman Kennedy said is that the initial language for Team 4 was consecration, redevelopment, but the other piece was depletion. It wasn't just in transition. And I think that word has some more negative connotation than "in transition," because that means you're really going from one place to another, as opposed to you're going to be left to die.

I have included in my written testimony some very specific proposals. One is that I think we need to have the Office of Community Development be a resource to the alderpeople in terms of actually planning and that there be transparency up and down through this so that the community knows how those funds are being spent and how it is going to affect their immediate community. There are a number of elder citizens who left this world thinking that somehow they didn't do due diligence as homeowners when they couldn't get home loans because of red lines and other kinds of obstacles. So I'd like to see those kinds of things addressed or given consideration as part of a continuing effort of this particular panel.

[The prepared statement of Ms. Rogers can be found on page 77 of the appendix.]

Chairwoman WATERS. Thank you very much. Mr. Jones?

STATEMENT OF MICHAEL JONES, SENIOR PASTOR, FRIENDLY TEMPLE MISSIONARY BAPTIST CHURCH

Mr. JONES. Thank you, Chairwoman Waters, Congressman Clay, and Congressman Green, for this opportunity to discuss our community development accomplishments for the Temple Missionary Baptist Church with you. FTMBC is a faith-based organization committed to leveraging resources and building relationships to revitalize this community. With the establishment of nonprofit corporations, development of several properties, coordination of congregational members, and the collaboration with various community partners, FTMBC has been able to make a significant impact on the community it serves.

FTMBC is located in the heart of the inner city of St. Louis, Missouri. Our surrounding area is characterized as one of the most deficient areas in the City of St. Louis. We're located in an area which many of you are all too familiar with that represents America's disinvested community. Some sobering statistics include 38 percent unemployment, approximately 23 percent adults and children living below the poverty line, substandard housing, and many tracts of vacant, abandoned, and boarded-up homes. And it has been reported by the Census that there are 8,000 incidents of crime in our area.

But we took the gavel by the hand and determined that we were not going to leave our community. We had an investment there and we were made to stay. So we developed our own outreach community development corporation and developed six components: Children and youth development; education; health services; counseling; food and clothing; and affordable housing. And we also have drug and alcohol programs, homework assistance, abstinence programs, clothing, financial literacy, and counseling.

Of all of these, we get very few Federal dollars, if any, but yet we were determined from a volunteer base, a community base with partners, to forge a coalition to work.

So we have people volunteering their time from the areas of counseling, education, law, accounting, carpentry, general maintenance, child care development, and we have pooled our resources to make sure that this community will be a viable community in the future. We serve about 4,000 or more families within this community. We have 21 affordable housing units that we have developed on our own. They were dilapidated buildings. We took our own dollars and renovated these communities, or these houses—took a 40,000-square-foot building that was left abandoned and we used our resources, even when the bank did not want to give us a loan. They told us to demolish it. We took our resources, got our people in there together. We renovated it and slid the appraisal on the banker's desk, and they wanted to give us as much money as we wanted. We told them we didn't want their money. We renovated it, and at the time of completion it was worth $5 million, and now they're really ready to give us the bank. We have done that. We have built a community center and office space in this building as well.

One of the fortunate things that we did get from the Federal Government is at least $10 million on the 202 program that affords us the ability to serve senior citizens within this community, and we appreciate HUD for that, but in this disinvested area we have invested at least almost $40 million worth of value within this community. We want to do more. We have a plan to build houses. We have a plan to build a commercial development center, bring businesses back.

We have about 4,000 members who are ready to relocate, bring their resources in. We have approached the City for housing. It's on the Board now, if you will. They're planning, they're talking about it. You've heard some of that discussion here today. We want to build about 300 to 400 new homes in our community. We're telling them that we have the members with the wherewithal to relocate.

We're starting our own school as well so that we can give some balance to the community. But what we need is we need acquisition dollars. We need that. We need monies to fill the gap, if you will, to make it affordable for these families to relocate. And I just hope that this kind of discussion here today will enable possibilities of us receiving those dollars, because who better can manage it than the people who are living in this community, who have been in this community for over 40-plus years or more and have shown the ability to develop and to manage it and have a stake within this community? I appreciate the opportunity to share and answer any questions that may follow.

[The prepared statement of Pastor Jones can be found on page 65 of the appendix.]

Chairwoman WATERS. Thank you very much. Mr. Talmage.

STATEMENT OF JOHN TALMAGE, PRESIDENT AND CHIEF EXECUTIVE OFFICER, SOCIAL COMPACT, INC.

Mr. TALMAGE. Congresswoman Waters and members of the subcommittee, thank you very much for this opportunity today. Let me start with a horrible cliche, and that is that information is power. It's a cliche we use all the time. We don't necessarily know what it means all the time, but we use it. But the corollary of that also is that the lack of information leads to a void and misinformation can lead to absolute destruction. And so community developments we have known to today really have grown from a trajectory of 50 years of planning that has captured the good and ill will of people, the prejudices and insights of people, but a lot of the programs as we know them today started 50 years ago and follow in this trajectory. So whether it's the war on poverty and urban renewal where it started to today's downtown development, there's a continuum there that has to be acknowledged. And I think that's part of the conversation we're having today.

This is—from a benign point of view, this has led to misunderstanding of neighborhoods. From a less benign point of view, if you look at New York City in 1970, the mid 1970's, Los Angeles in the early 1970's, Detroit, Philadelphia, there were many plans to decommission parts of cities. Mayor Koch advocated a plan in 1978 to decommission the South Bronx, to take it out of commission. And so it wasn't just post-Katrina New Orleans where we began to hear about decommissioning large parts of cities; this is something that has been in urban planning for the last 30 or 40 years.

And so there's a context in urban planning that has occurred that we have to address.

We at Social Compact come at this from the point of view of how do we capture accurate information? How do we look for the missed population? Mayor Villaraigosa in Los Angeles estimates that the 2000 Census undercounted Los Angeles by 180,000 people. Mayor Booker in Newark estimates that for the last 30 years the undercount of Newark has averaged 19 percent. And our work, by the time we finish, 30 cities that they did this year, beginning of next year, we will have expected to have found 3½ million people missed in low- and moderate-income neighborhoods in only 30 cities in the United States. Those 3½ million people and the people who have been counted represent almost $600 billion unrecognized and recognized economic income, but $120 billlion of that has just been unrecognized—$120 billion. That's a market.

In your own district and parts of your district in south central—in south LA, we have found 52,000 people missed by the U.S. Census in 2000 and 2000 estimates. In Congressman Green's district, we found 78,000.

And maybe more importantly than the missed population is that the households in your district earn 30 percent more than the U.S. Census documented. That's 40 percent that the site selectors in Los Angeles or in Charlotte, North Carolina, they aren't capturing that. And so what maybe you're seeing as a benign undercount is actually an informational barrier and an investment barrier to try and address and readdress some of the disinvestment that has happened over the last 40 years.

To put this in a different way, we don't have a public policy construction to support this kind of investment. And I will give you two examples before my 5 minutes runs out.

First, downtown Detroit. No city has taken more body blows than Detroit. The greater downtown Detroit area has income that is 51 percent higher than the Census has documented. Putting that into a market anomaly perspective, there are 22 stores that count themselves as grocery stores in the greater downtown Detroit area. None of them are larger than 5,000 square feet, but they are functioning at $855 a square foot. The International Council of Shopping Centers says that the average delta square foot nationwide is $355 a square foot. That's a $500 spread in downtown Detroit. That's a market. That's a market for 120,000 square feet of grocery stores. But it's not just, wouldn't it be nice to have a grocery store, but the public policy imperatively correlates rates of obesity and diabetes to the saturation of fast food restaurants and the lack of access to full-service grocery.

There is a public policy imperative based on research that states that African-American families live a mile-and-a-half further from grocery stores than their white counterparts, but 35 percent don't have cars. We have condemned that portion of the community to poor public health output because we don't support advanced—a correct type of incentive to build grocery stores in communities that are disinvested.

In the case of the financial services as well, Santa Ana, California, a community of about 100,000 people off the downtown, the Census said the average household income was $47,000. It is actually $62,000. Not only that, the median home value is $420,000. Also, 52 percent of the homes are owner-occupied, but 69 percent of the homes don't have credit records. How do you have 52 percent of the homes owner-occupied and 69 percent of the houses don't have credit records.

And it's not that credit records are important just per se. Your utility deposit is determined often by your credit score. Your automobile insurance rate is often determined by your credit score. You can't rent an apartment in Washington, D.C., without a credit score. So you're paying a poverty tax for not having a credit score.

So the fact of the matter is it shouldn't surprise people this correlation between incidence of crime and alternative financial services, such as check cashers and payday lenders. So when we go through North St. Louis as we did today and we see so many check cashers, so many payday lenders, so few financial services, so few grocery stores, it's not a matter of what is the next silver bullet to try to change the landscaping. Let's just try to fix the numbers so that both public and private investment can find some way there appropriately.

And just to conclude on one point—Congressman Clay made a very, very good point about a Home Depot they wanted to open there. They said that they told him that they weren't going to come because of shrinkage. Now, it may surprise everyone here in the audience that there is no shrinkage in the suburbs. The fact of the matter is, there is no quantitative evidence that shows that shrinkage and crime is an investment competitor to a Home Depot or other big box retailers in communities. In fact, in our own surveys with the International Council of Shopping Centers, crime and shrinkage is not even a top indicator for the site in the community. It's market.

What we have to do with information that we have to be very careful with is that if you say, I want you in my neighborhood and I say, oh, you don't have the market for my investment and you say, yes, I do, then what am I really saying is your customers don't look like my residents or there are other sort of things that we have to—information to address.

And so I'm just here to conclude that information is important. Information is available in U.S. cities and underserved cities in every one of your congressional districts, but we just had to create the tools, the adjustment bridges for investment, the adjustment bridges for information, to try to make sure that that's not what the barrier to investment is.

[The prepared statement of Mr. Talmage can be found on page 82 of the appendix.]

Chairwoman WATERS. Thank you very much. Mr. Zuniga.

STATEMENT OF TOM ZUNIGA, MANAGING DIRECTOR, DSG COMMUNITY MARKETING SERVICES LLC

Mr. ZUNIGA. Madam Chairwoman, Congressman Clay, Congressman Green, and distinguished staff and members of the Subcommittee on Housing and Community Opportunity, thank you for this invitation to offer testimony about innovative strategies and programs that are needed to bring about important changes in community development. I would like at the outset to acknowledge the leadership in community economic development of this subcommittee's chairperson. I admire and wish to congratulate you, Congresswoman Maxine Waters, on your commitment to improving the wellbeing of low-income and minority communities. Thank you for shining the spotlight on St. Louis.

I am excited as a professor, as a student of community development, and as a real estate developer to be part of today's historic proceedings. In my remarks today, I hope to encourage local communities to adopt economic development policies that engage in public/private partnerships that rely on market information, such as John Talmage has mentioned, to drive investment in low- to moderate-income communities.

In that regard, I hope to identify strategies and approaches that seek to rectify mistakes in programs of the past. I am grateful, by the way, for the relationship that I have with John Talmage and his staff at Social Compact who have provided us new possibilities through information for understanding the incredible market potential and untapped purchasing power of inner city residents. Social Compact has truly been a catalyst in infusing new energy and significant investment to communities. As a former resident of Washington, D.C., I'd say a former public official who by the way at one point I had the responsibility for cleaning up Columbia Heights, I'm very familiar with what has now happened. I know what has been accomplished in Columbia Heights as a result of the work of Social Compact.

Let me also, just to put things in perspective, acknowledge that some of the past practices that we've now kind of heard about, some of the legislative and regulatory actions that precede us that may appear wrong-handed, were not always, underline the word always, willful mistakes. Many of our predecessors in community development were problem solvers in search of solutions and answers to problems, in much the same way we are doing today. The older I get, the more willing I am to acknowledge that economic development is more art than science and that smart, well-meaning people in search of answers arrived at solutions that may have solved some immediate short-term problems but resulted in unintended consequences in long-term.

And that's part of what we're dealing with today.

The value of a forum, Madam Chairwoman, is that, like this that you're having today, is that it enables us to think about what has gone before us and to reflect on what has worked, what has not worked, and why. Now, in the past we know we placed much emphasis on physical development. Oh, we remember the language; slum clearance, urban renewal, model cities. Solutions aimed at reversing decline of urban neighborhoods. The solution to the problem was to remove it. We adopted community development strategies that relied on top-down massive infusion of Federal dollars, and to a degree we still do. The unintended consequence, although some would argue otherwise, was the displacement of families as their homes were destroyed to make way for commercial redevelopment.

In trying to signal community renewal, most of these commercial revitalization efforts were not enough to create the new vibrant neighborhoods that their creators envisioned, nor did they stem the flight of businesses and families from the inner city. Well, there are several paradigm shifts now in community development that suggest a bottom-up kind of an approach, and to just summarize it, a significant change that you all see in community development is a new emphasis on opportunity. I hear John talking about it.

Our language is changing from distressed communities to underserved neighborhoods to communities of opportunity. Language is an important signal of change. Community development strategies are evolving to focus on community assets rather than on community needs. In other words, instead of describing a neighborhood by its problems, we have begun to emphasize the hidden assets, the market potential. We look at things like historic architecture, etc. In a speech last year, Federal Reserve Chairman Ben Bernanke said that quantifying these assets and helping investors become aware of the opportunities in underserved neighborhoods can help enlist market forces in the service of community development.

And I want to be clear when I say help investors. That's my next point. The shift that we are experiencing by development by the numbers requires a concurrent change in the attitudes of indigenous community leaders who in the absence of market information have in the past and for a long time depended on ideology and a government grant driven focus which emphasizes neighborhood deficiencies and weaknesses rather than assets and market opportunities as a way to attract capital for their various projects. There is a culture of poverty that has become associated with people of color, particularly African Americans. Inner city residents are not only surrounded by crime and drugs and homelessness and poverty; they are blamed for it.

Residents have come to believe that unless an initiative comes with a low-income tag, it is not intended for their community betterment. That has to change. There's also an underlying assumption that residents of underserved neighborhoods are unwilling to or do not, even if given a chance, want to participate in the rebuilding and the revitalization of their communities. During a recent consulting assignment I had arranged for a supermarket located in inner city neighborhood Richmond, Virginia, I described how our consulting team had assembled a capital to build a supermarket, all outside capital, of course, and thankfully I was reprimanded by a long-term resident of the area that I had not presented residents of the community a chance to invest in the supermarket, which without a doubt promised to be a cabinet for further evaluation.

We need to challenge ourselves to create investment vehicles that are investments by residents, stakeholders who may only have $100 or $1,000 of their savings to invest, but would like to be and need to be a part of the community development fabric as investors. Madam Chairwoman, I thank you for the time.

Chairwoman WATERS. Thank you. Thank you very much.

[The prepared statement of Mr. Zuniga can be found on page 92 of the appendix.]

Chairwoman WATERS. Mr. Mayor, what's happening in Cincinnati?

STATEMENT OF THE HONORABLE MARK MALLORY, MAYOR OF CINCINNATI, OHIO

Mr. MALLORY. Thank you. Thank you, Madam Chairwoman, Congressman Green, and Congressman Clay. Thank you for the opportunity to come here, not just to see St. Louis, but to share what we're doing in the City of Cincinnati as it relates to the proper use of accurate data. You all know that demographic data is routinely used by the private sector, by the public sector, and even by private individuals to make decisions about where they want to locate something, about where they're going to invest. In order to make certain that services are located where they are needed most, mayors in particular must have the most accurate data as it relates to their cities, and with the most accurate data in hand mayors can assess the most underserved part of their community and begin to drive investment to those areas.

Let me tell you what we did in Cincinnati. In June of 2006, the Census Bureau released its 2005 population estimates, and those estimates claimed that Cincinnati had lost more population than any city in the United States, any major city in the United States, since the year 2000, making it the fastest shrinking city. The local media ran multiple high-profile stories about the population decline. They included a lot of speculation about the cause of the loss of population, and our civic pride was at an all-time low.

Nobody in the media questioned the validity of the Census Bureau's data. After all, you know, the Census data comes with a lot of credibility and believability. However, with all of the new development and housing starts and general energy that I witnessed in the City of Cincinnati since becoming Mayor, the data that we got from the Census just didn't make sense to me, so I decided to challenge those figures. We did that using a statistical analysis of City records, including building permits, demolition permits and conversions of commercial and industrial buildings into new housing, and we were able to prove that Cincinnati was not losing population at all. In fact, we were able to prove that Cincinnati was gaining population for the first time in 50 years. And that Census challenge began changing the perceptions about the City itself.

Shortly after that I became aware of the Social Compact organization, a national nonprofit, and John Talmage you just heard from. They came into Cincinnati and did a drill-down of our population using 27 different pieces of data as it relates to income and other things. They were able to find almost 47,000 additional people in the City of Cincinnati, and more importantly those additional people represented $2 billion in uncounted resources in the City of Cincinnati.

So armed with this new information, I set out to change the way we look at our City. The first thing I did was I created Shop 52. There are 52 neighborhoods in the City of Cincinnati, so we have been using that data to help drive investment in those 52 neighborhoods. We're trying to get financial institutions to pay closer attention to what's going on, retailers, of course, and not long ago we held—I put together actually a retail attraction task force.

I think John has mentioned this number a lot, but it's a number that people, I don't think, really cue into. 80 percent—80 percent of the commercial retail decisions that are made in this country are made using Census-derived data. So if that number is wrong, they're making the wrong decisions about your city. So since I have this new information, we now go to the International Convention of Shopping Centers' annual convention out in Las Vegas. We use that information in an effort to attract retailers to the City of Cincinnati. We're selling the City armed with much more accurate information.

In May of this year, I'm going to be working with the International Franchise Association, because one of the things we learned at that retailers convention is that they have trouble attracting people to buy franchises, so we're going to put together an education seminar that will encourage minority, women, and veteran-owned franchises in the City of Cincinnati, and that seminar is going to help connect individuals with—not just with franchises, but we're going to connect them with the financial resources to get those franchises going.

In order to fill the need for increased services in under-served communities, Cincinnati can't rely just on national retailers alone. Small businesses, small local-owned businesses, are actually vital to any city's growth. So this past February we put together 100 community leaders, community development experts, small business service providers, and banking professionals for an urban markets summit. Now, that discussion centered around barriers and opportunities in the local small business development environment, and the group looked at four specific underserved neighborhoods to discuss improvements in their individual business districts.

I have always believed that any neighborhood development must be driven by community leaders with full input from the citizens of that neighborhood and the assistance from government. So with that in mind, I have been meeting with the representatives of all of the 52 communities in the City of Cincinnati. We have been sharing with them the Social Compact drill-down information that gives them a much clearer picture of the actual population and the buying power within each of those neighborhoods. They will now be better prepared to tell us what kinds of services they want and what kind of services they need in their communities.

With the amount of emphasis that my administration has put on data-driven policy, the 2010 Census is going to be central for the development of the City of Cincinnati. Getting that number right is crucial. So the drill-down study taught us exactly how many people are in the City of Cincinnati. We're taking a new approach to the Census. We're not telling our Census takers to go out and count the people who are here. We know because Social Compact came to Cincinnati that there are 378,259 people in Cincinnati. The new paradigm is to go find those people. That is our baseline number; there are at least 378,000 people in our city.

So this is an ongoing process for us.

It's an evolving process for us. This concept of the better utilization of accurate data to drive investment in underserved communities, to drive a new focus into areas that need services and need help is a new way of thinking for the City of Cincinnati but is our new method of operation. And I'll tell you, I'm on a crusade. I'm telling everybody I can everywhere I can that this is the only way that you can intelligently and accurately redevelop cities throughout the United States of America.

Thank you very much.

[The prepared statement of Mayor Mallory can be found on page 73 of the appendix.]

Chairwoman WATERS. Thank you very much. I would like to thank you all for your testimony here today and I would like to just raise a few questions with some of you who have testified. Reverend Jones, I want to thank you for being on the tour with us this morning and showing us your tremendous accomplishments in the development of the much needed housing and the revitalization of that community.

I'm now interested in how much support you have been given for the development of the infrastructure in and around the area, both a combination of services and other kind of infrastructure supports in order to keep that community going and vibrant and maintained. And because of this discussion about Team 4 and what I read, still not knowing whether or not it was implemented informally, tell me about police and crime. Do you get quick response? Do you meet with the captains? Do they interact with the residents? What kind of support do you have from the basic infrastructure that every community needs in order to be safe, secure and protected?

Mr. JONES. We are blessed in our community to have an alderman who works with us. We are also blessed that he's a member of our church. That helps. So we—our relationship with the community, with the government, the agencies, are improving. There's a ways to go. The partnerships are there. We're moving aggressively towards bridging relationships, but—and the alderman helps and others will provide assistance, and others do as well, but again, I must acknowledge and be frank, we have a ways to go.

With relation to infrastructure and partnerships and services that we receive, we challenge these public servants whom we believe we help to pay their salaries that they ought to give our community a priority. We have seniors in our community. We have a health services center in our community. We have about 1,000 children who come into our church every week. And so we challenge them to be active and to be on-call and to respond aggressively and timely to our needs.

Now, I will say that with that aggression that we have, the reality is it is a community that has a stigma of crime, of poverty, and there are occasions where they are not responding always as well as we would like, but I will say that when developing and building relationships to challenge them to do such—

Chairwoman WATERS. That's very important. When you complete development and you do your ribbon cuttings and all of that, are you blessed with the presence of the Mayor along with your alderman?

Mr. JONES. The alderman certainly is there. The Mayor has been there in the past. He has been there. I think our most recent opening of our senior building, I'd have to recall whether he was present.

I don't think he was present, I must say, at that occasion, but in most occasions he has been. He has recognized the strength of our church and our community, and I think it's incumbent upon him to show up on those occasions.

Chairwoman WATERS. Have you been offered any assistance in your economic and business development from the Office of Development? The vice mayor of development was here today and was being questioned by Congressman Clay about monies that have been given to businesses that were supposed to develop jobs who do not appear to be able to document that they have done that. Were you offered assistance with monies coming from CDBG or anyplace else to do business development?

Mr. JONES. Madam Chairwoman, if we were, I'm not familiar with it. I will say that we did sit with her recently with our public and private developers and we placed an initiative before that office, and we're waiting a response now. And I hope and pray that it will be favorable, especially since this kind of setting is happening in the City.

Chairwoman WATERS. If you were afforded the opportunity to get some of the City money to help create jobs, would you be able to use that money to create jobs for people who need employment?

Mr. JONES. No question. We're creating jobs without the City dollars now. What we tell them is that they will help accelerate our process. They will help us to maximize and do far better and far quicker with the resources we have. If they are to provide assistance, we can do far more, far better.

Chairwoman WATERS. And you said the banks have been cooperative. Usually in order to develop communities not only do you need government assistance, but you need a commitment from the financial sector. You need banks. Banks can determine whether or not communities get the resources they need to develop.

Do you have the cooperation of any of the financial institutions or banks that are willing to put money into a community where you have demonstrated success?

Mr. JONES. Well, I can speak on behalf of our church. We have learned the art of leveraging. We leverage our people, we leverage the resources we have. And not only that; everything we own is debt-free. And so banks line up for us under these circumstances. And so we're probably not typical, though, as I must say, but we haven't had a problem yet with getting a loan. It's just a matter of us negotiating what we want. But we challenge them.

What we do, though, since we are favored in this position, we make sure that the next church, the next business, the next partner, we leverage our resources so they can also get a rate that they can also get the loan and also be blessed and benefited thereby.

Chairwoman WATERS. Do the streets get swept and the potholes fixed in the areas where you're doing all of this investment?

Mr. JONES. Well, let me speak of snow. We have our own cleanup, snow removal. We—you know, it's a business investment for us to do such. We don't wait on the City. It's strange, odd, peculiar, but we happen to be in an area of the City where maybe the resources are depleted by the time it's time to enter into our section, so we have stopped waiting on them. We have our own snow removal because it's incumbent upon us—we have thousands of people and so it's an economic and a spiritual initiative for us to do it ourselves.

Chairwoman WATERS. The reason I asked that, Reverend—and I hate to interrupt you—is that part of what we're researching is whether or not the services are in these communities or whether or not there is a plan or just benign neglect of providing the support services, because you are not typical and others who would invest or develop need to have police and fire, they need to have the potholes fixed, they need to have the snow removed, they need to have the involvement of the Mayor, they need to have the fire department who will come out and let the kids climb up on the fire engines and trucks like they do in other neighborhoods; they need to have engagement. And without that, most development attempts will fail.

And so this is what we're looking at here. If somehow through the processes of the City and the City plan, those resources have not been available, communities die. They literally die.

And in addition to that, in addition to what you're doing—and you have been very, very fortunate and visionary to make these acquisitions, this property, long before this crunch and so you have property that's valuable, that you're able to—because most people can't purchase this land, it's just too costly, but in addition to your having done all of this, the properties adjacent to yours that people can't afford to keep up, you have to have a program in the City that will allow people to rehab their homes with no or low-interest rate loans.

So all of this—and that's what we are kind of looking at. You are a model and you're a leader and you're unusual and you're doing something for the City, not only for your members, but you're providing services for yourself that the City really should be providing. And so we all love people like you who do this, I mean, we really do. Mr. Green loves everybody, but I don't. I love doers.

And so I just want you to know that, first of all, let me just underscore this, that we appreciate what you showed us today and what you are doing, and we are hopeful that your vision, your full vision, is realized with the support of your City and your Federal Government and everybody else that you really should have.

I have used up more than my time, and I have to let Mr. Clay have a turn.

Mr. CLAY. Just to follow up on what Chairwoman Waters was saying, Pastor Jones, if the faith community would get the collaboration, necessary funds they needed from the Government, as well as private entities, would they have the necessary resources and the will to actually create the schools that you talked about that would take us block by block in this process of rebuilding communities? Do you think the faith community would step up here in St. Louis and do that?

Mr. JONES. Congressman, I believe that historically the faith community has shown the ability to build schools, businesses, to train individuals, to provide housing for people within the community as well. Our challenge again is an economic challenge. We have the management ability. We have the desire to do it, to accomplish it. Resources would help us tremendously. If we are afforded the opportunity to have the resources, I think there's no question at all that we can accomplish that.

Mr. CLAY. Thank you so much for that response. Mayor Mallory.

Mr. MALLORY. Yes.

Mr. CLAY. You talked about the additional $2 billion in Federal funds that you were able to capture because you found 47,000 additional Cincinnatians and you also talked about a collaboration with Social Compact as far as the drill-down, as you called it. And just to make you aware, I do have the responsibility of the oversight over the Census Bureau and up to the 2010 Census, and you mentioned a new kind of approach with the Census and a new type of partnership, and I think you have the model that the rest of urban America has to get with. So I look forward to working with you in that respect as far as how we actually count the traditionally undercounted and want to hear more about your experiences with the Census Bureau.

Mr. MALLORY. Well, I appreciate that. You know, one of the things that I see that's critical as we move to 2010 is that for any major city in the United States the low hanging fruit is getting the Census count number right. There are 170 Federal programs that distribute billions and billions of dollars based on the Census count. So the low hanging fruit, the best opportunity that I think mayors have to garner additional resources for their cities in the next few years is to ensure that that number is right.

I mean, we are lucky that we were able to find Social Compact and have them come in and do our drill-down analysis and discover those 47,000 extra people and discover that undercounted $2 billion in spending power. Our challenge now is going to be to ensure that we are counting absolutely as many people as possible in 2010 so that we can get not just the money that comes along with the Federal programs, but, again, all of these agencies, all these organizations, all of these businesses, all these financial institutions that use Census-derived data have to have the most accurate information.

We're in the middle of—in Cincinnati, we're in the middle of a school building process where the public schools are building 20 new buildings. Well, they're using outdated Census information, so they're putting the wrong schools in the wrong neighborhoods. It becomes very, very critical as you start to look at all of those decisions that are made around the use of that Census data that we get that number right.

Mr. CLAY. And that whole piece about franchisees and the International Council of Shopping Centers, all of that plays into that data. How successful has Cincinnati been as far as being able to attract new retail or needed services to particular communities.

Mr. MALLORY. Well, we went to the convention in Vegas in May of last year, May or June, and it was the first time that anybody from the City administration of Cincinnati had ever gone to that convention. It's very disappointing that the previous administrations did not recognize the need for it. We met with probably 15 or so different—

Mr. TALMAGE. 22.

Mr. MALLORY. —22 different retailers, and we actually have had a few successes from that. We did get a retailer on Fountain Square as a result of that. There are several others that are taking a second look at Cincinnati because they already looked at us using the wrong information. We gave them the right information, and they are now taking a second look at us.

But we're committing to going back to that year after year after year and making sure that retailers are paying attention to us. One of the pieces of feedback we did get is that we weren't on the radar screen for a lot of these retailers, but because of this information that we had and because of our approach and our organization, they're taking a second look at us and really seeing us as a possibility.

Mr. CLAY. Thank you so much. Ms. Rogers, we have heard a lot of testimony today, especially in the first panel, from HUD, as well as from Ms. Geisman and Alderman Kennedy. Given what we know that has occurred over the last 35 or so years, what we've heard today about how it seems as though the City wants to turn over a new leaf, adopt a new policy, if this community is given the opportunity to actually purchase those vacant lots and actually purchase those abandoned buildings and property owned by the LRA, do you think this community will take charge of its own destiny and move forward?

Ms. ROGERS. I think absolutely they will, but to me purchasing a lot is probably on the micro level. What I now think is even more important, and just hearing the panels discuss this, is a comprehensive long-range plan. And it's not a planning that's based on what your relationship—political relationship is to the Mayor or to the alderperson. I suspect that there is somebody like Reverend Jones in other communities, but because they don't have access to those people who have power, then somehow they get locked out of the process.

And so to me, even what Mayor Mallory was talking about, I mean, it seems so logical that you would be operating in that level, but here it's very fragmented, it's very politicized, and I think Alderman Kennedy acknowledged that it's very racially motivated, and so when we look at who gets to be at the table—I mean, we have had empowerment zone planning where money specifically is supposed to go to the areas that we've talked about today, but yet year after year they continue to look the same. And I think we have to ask why is it that, why is it still looking the same or worse when dollars are supposed to be coming in.

And so if we understand that there's a plan and people were a part of that plan, we won't have to ask those questions; we'll know. We'll have the understanding that it's not just going to go to the conservation areas. And we know from looking at this place, downtown is one of them, another one is the Central West End, so the depletion areas are pretty quickly—you are able to quickly tell where those are. So they need to be brought into the plan, and it needs to be a comprehensive one where we're not just looking at little pieces of property but we're looking at overall what would the ward look like in 20 years, what will the City look like in 20 years. It shouldn't be based on who has the money, or who is the closest to the Mayor or anybody else in political power.

Mr. CLAY. Mr. Zuniga, your testimony brought out the fact that you have quite a bit of experience all around this country in attracting and revitalizing neighborhoods. In your brief stay here today, do you see the potential for St. Louis? Do you see how we can actually go about turning around this community, turning around, tapping into the economic potential of this community, and just how difficult or easy would that be?

Mr. ZUNIGA. Congressman, thank you. Just to follow up, it's one thing to have the numbers; it's one thing to attract retailers; it's one thing to attract investors. Part of my real concern is, how do we as disenfranchised residents of some of the communities we talked about participate in that revitalization process?

There's an impediment by the way that really has to do with the infrastructure of our economic system. At the point that we gather up investors, more than 35 people requires a public offering. And I have to tell you something. It's strange, you know, you're dealing with high level, you know, high net worth individuals, but it was never designed for folks who have $100 or $200. This lady in Richmond I told you about, she said that most of the time the only investment opportunity we have is we go on Friday evening to the liquor store, buy $50 worth of lottery tickets, and hope we get lucky. Well, it ought not to be that way. People like me need to start focusing on what do we do to create the new infrastructure for real indigenous community investment? It is $50 here, $100 there. We don't have that.

But with that in mind, when we talk about acquiring available land—you know, the one who owns the land controls a lot of what happens. There was an earlier discussion today about bringing developers to the table as capacity. Being able to be an effective partner in community development has to do with being able to bring something. If we had a vehicle for investing in land and we can state a group of people who are, in fact, resident investors, you own this land, you can attract a development partner and it's a different kind of footing at that point. Okay? Those are the kinds of observations I have.

Mr. CLAY. Finally, let me just get to John. I don't know if you have done your initial study on St. Louis yet. Just what have you found so far? What are our potentials? What is our untapped purchasing power?

Mr. TALMAGE. We have not done the drill-down yet, but based on the information gathering, some of the preliminary information, research we conduct, there are some things that strike me, that the Census from 2000 to 2006 estimates that in North St. Louis the population—you have lost 2.3 percent of the population. Just look at Federal data such as the U.S. public housing and IRS returns. That number is inaccurate just on the face of it so that we expect now to find a positive number because we have—we were never granted the foundation.

The first—the income, the average income of first-time home buyers who bought homes in North St. Louis between 1998 and 2005 was 40 percent higher—I'm sorry—60 percent higher than the Census had documented in 2000 so that the trend of investment is a very positive trend. That's not duplication trend. These are still middle income, you know, the cop and the teacher, but it's a strong indicator of sustainability.

And finally, the percentage of owner-occupied units in North St. Louis is almost 40 percent higher than the national average, that people own—in many parts they own their own homes, so they have invested ownership in their community. So when we do the study itself to find the missed population, the missed purchasing power, we can put that together with the numbers that are already there to make the case that North St. Louis is a good place for investment, especially because of the sites we saw today. Put aside the environmental problems which you can't ignore, but there are large assemblages on wide streets adjacent to major highways with good utility access, and so in terms of a development site, you really can't have things teed up any better than they are right here.

Mr. CLAY. Thank you so much.

Chairwoman WATERS. Thank you very much. Congressman Green.

Mr. GREEN. Thank you. I will be terse and laconic. Mr. Talmage, your diction was superb, but I do ask that you be a bit more pedestrian in explaining shortage and shrinkage, because some people may have missed the point.

Mr. TALMAGE. And I should say that in a non-terse and laconic way?

Mr. GREEN. Just be precise.

Mr. TALMAGE. Shrinkage is a term that retailers use to describe what they—what we might call pilfering or employee theft or shoplifting; the amount of product that disappears from the store for any number of reasons.

Mr. GREEN. Would a person who is less sophisticated, such as I am, use the term stealing?

Mr. TALMAGE. You might use stealing, yes, sir. The policemen who arrest you might use stealing.

Mr. GREEN. And let me ask you this as well: Assuming that you have a plethora of empirical evidence supporting a need, as well as supporting the ability to sustain a given business, if you have a depletion mindset, will empirical evidence offset a depletion mindset?

Mr. TALMAGE. That's a very good point. One of the things we have been doing for the last year is working through the International Council Of Shopping Centers and other industry associations to make sure that the retail investors are prepared to use the information that we provide. And one of the reports where we are very interested in publishing in the very near future shows, using our national retailers' own score performance data, that—and I'm sorry for the technicality—that the median income and the average income of a household is not correlatory to what households perform. It is the aggregated income that has the highest correlation of value.

What that really means in simple English is that it's not monies that the suburban household is making $80,000; it's the aggregated neighborhood of—and so any neighborhood is the best indicator of performance.

And so there's a whole variety of national retailers that are waiting to—

Mr. GREEN. Just one quick intervention, and I'm really going beyond the time that I thought I would, but I want to ask you this: You do recall that the plan that they had was one that was encouraging depletion?

Mr. TALMAGE. Yes.

Mr. GREEN. And I'm not sure that empirical evidence would offset that type of mindset. I'm just not sure. Sometimes you have to use the adverse of the Elizabeth Barrett Browning process. She said, how do I love thee? Let me count the ways. Sometimes it literally has to be, how can I hurt thee? Let me show you the ways, in the political world. I'm not talking about physically hurting anyone. But Bishop Jones?

Mr. JONES. Thank you for the promotion.

Mr. GREEN. Excuse me. I was tempted to say "prophet," but I scaled back. I do want to compliment you on understanding that we are blessed, that we may be a blessing, and you apparently have done well in your community and I thank you for what you have done.

And I know, Mayor, you wanted to give a comment, so—I saw you pull the microphone over, so I'll give you the last word.

Mr. MALLORY. Thank you. I just wanted to emphasize on this conversation about data and empirical data and analysis. It only makes a difference if the leadership is willing to embrace it and drive it. It has to be driven by the leadership. One of the first things I did when I got the data from Social Compact about our new population estimates, I rounded the entire administration, said the new population for the City of Cincinnati is 378,000. That had better be the number I hear you use publicly. That had better be the number I see in every city document. That number is actually on Wikipedia's Web site. If you go and Google Cincinnati, it will show our population at 378,000.

So it has to be driven by the leadership, it has to be pushed by the leadership, and it has to be embraced by every member of the administration.

Mr. GREEN. If I may just close with this, Madam Chairwoman, I want to thank Congressman Clay for hosting this hearing. And I say that because I have learned a lot.

Chairwoman WATERS. I want to thank the panels for coming here today and sharing this very important information. And I recognize that some of you have traveled from far away to be here today in the City, and we're very appreciative for that.

And let me just say to the residents and the leaders of St. Louis that we recognize some of this is complicated. We are very strong believers in the possibilities. We believe that these communities, not only in St. Louis, but across this country, can be redeveloped, can be saved, and that people can have involvement in doing that. We have adopted some principles in our public policy work, and this is what's difficult for some of the redevelopment attempts. One of the principles that we have adopted is one-for-one replacement of all housing.

That's important because, Mr. Zuniga, you're right, some of the developers who are coming along, big developers, have recognized that there is gold and then there are hills. And what they are looking at, for example, are public housing projects along certain transportation corridors that are very valuable, and they want them. But what they don't talk about is what happens to the people who occupy those units.

And now we're in a situation where everybody's talking about these terrible public housing projects and how they don't, you know, meet the standards and how they need to be improved, when really the language is, get rid of them. That is the language that is underneath all of this. Those of us who are in these new leadership positions understand this language.

And so we are saying that we support HOPE VI, but you cannot reduce the number of poor people with so-called market rate and ownership because not everybody wants to own a home. Some people just want to rent a decent place to live.

And so we are trying to, in our public policy, embrace development, protect people and neighborhoods, and involve people in the decisionmaking to determine what's going to happen in these neighborhoods. Now that's a little bit different, but we can do this because, really, we came from these neighborhoods. You know what I'm saying? And we understand this. So we thank you for further educating us today.

I'll look forward, Mr. Talmage, to seeing you. And we had talked before when you first came into the Los Angeles area. There is work to be done there.

And finally, let me just say on the commercial development side of this, every major development, whether it is in my area of Inglewood along Century Boulevard that leads to the airport or Western Avenue near Slauson where Magic Johnson put in money or La Tierra where Magic is over there with TGIF and all of that, every one of those businesses surpass their counterparts in other parts of the United States. Our Starbucks makes more money than any other Starbucks, I believe, in the country, and we can identify other black commercial entities that do that.

We know that there is money in our neighborhoods, and we know there are people who are willing to spend money if you treat it right, and we have decent services and all of that. So we need to marry the need for the investment with the infrastructure development and protection from the City and the involvement of the people. That's the formula. We get it. We know it. And we're going to do it. Thank you so very much.

The Chair notes that some Members may have additional questions for this panel, which they may wish to submit in writing. Without objection, the hearing record will remain open for 30 days for Members to submit written questions to these witnesses and to place their responses in the record.

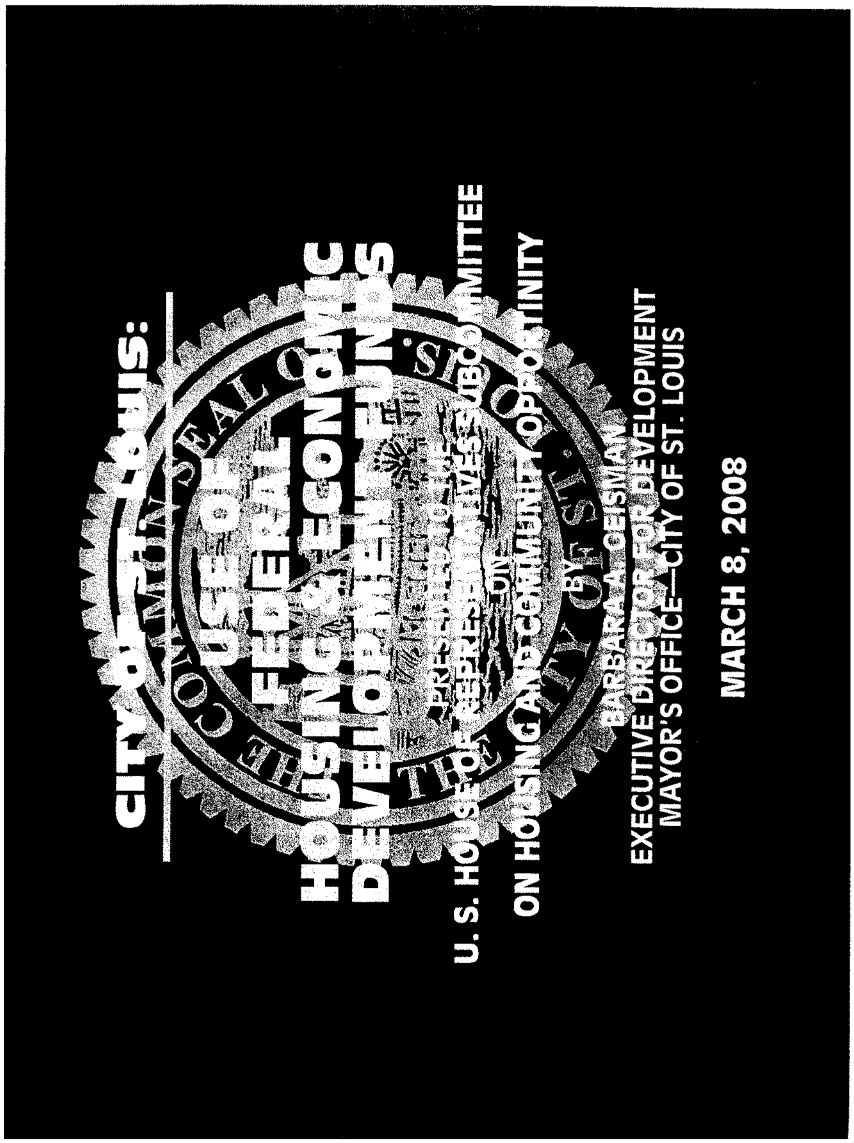
Without objection, the written statement of Dr. Matthew Fellowes of the Brookings Institution will be made a part of the hearing record.

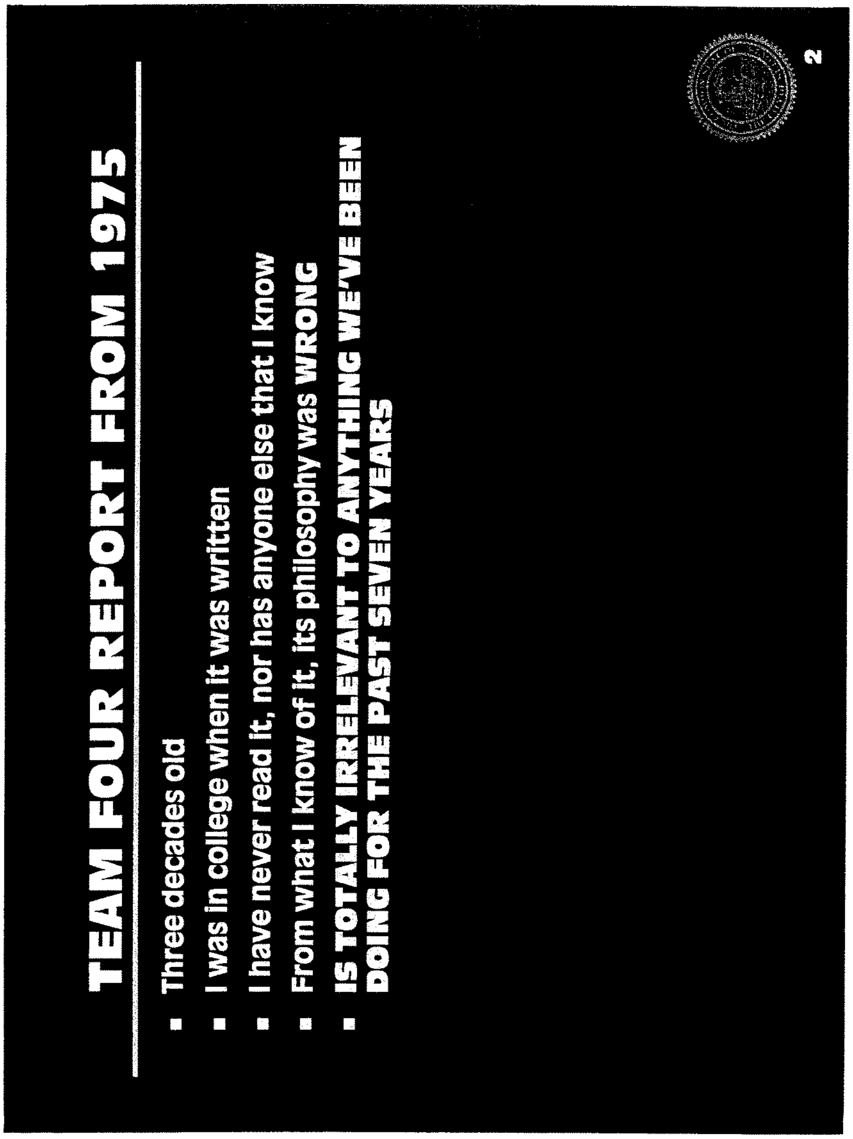
Chairwoman WATERS. This hearing is now adjourned.

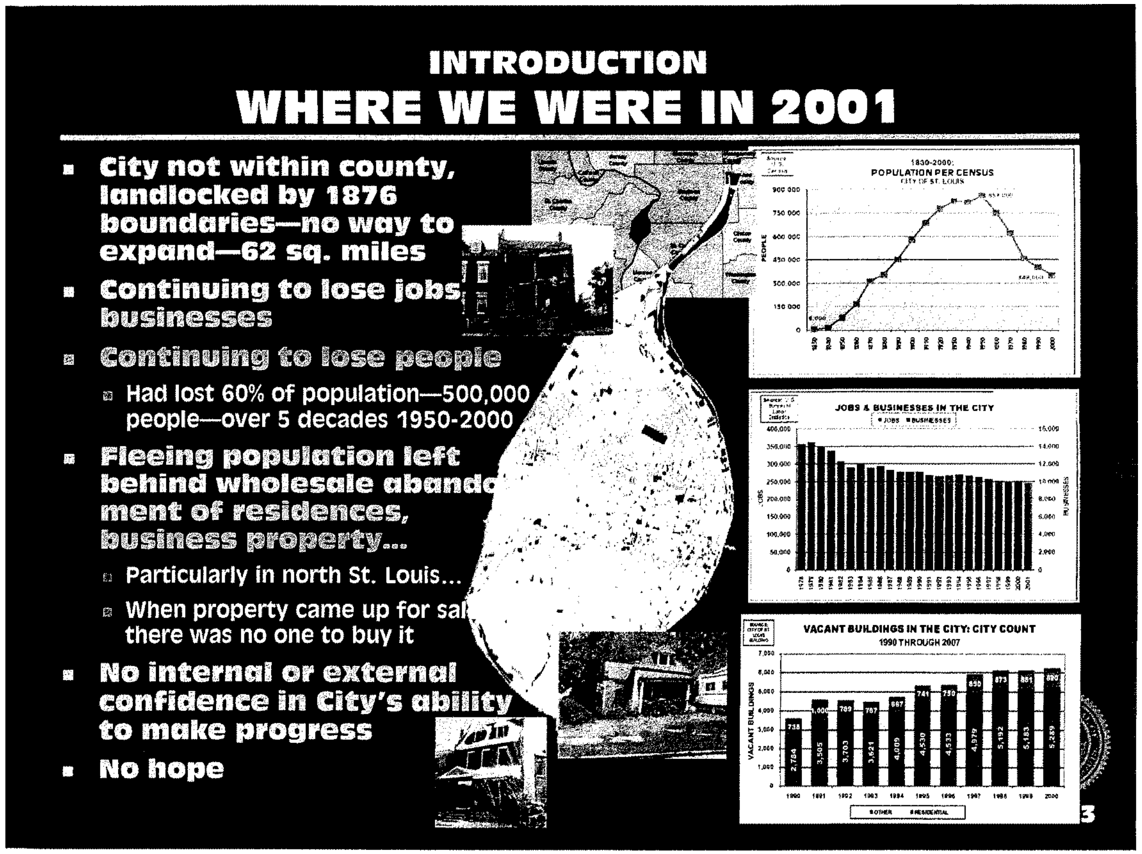
[Whereupon, at 2:40 p.m., the hearing was adjourned.]

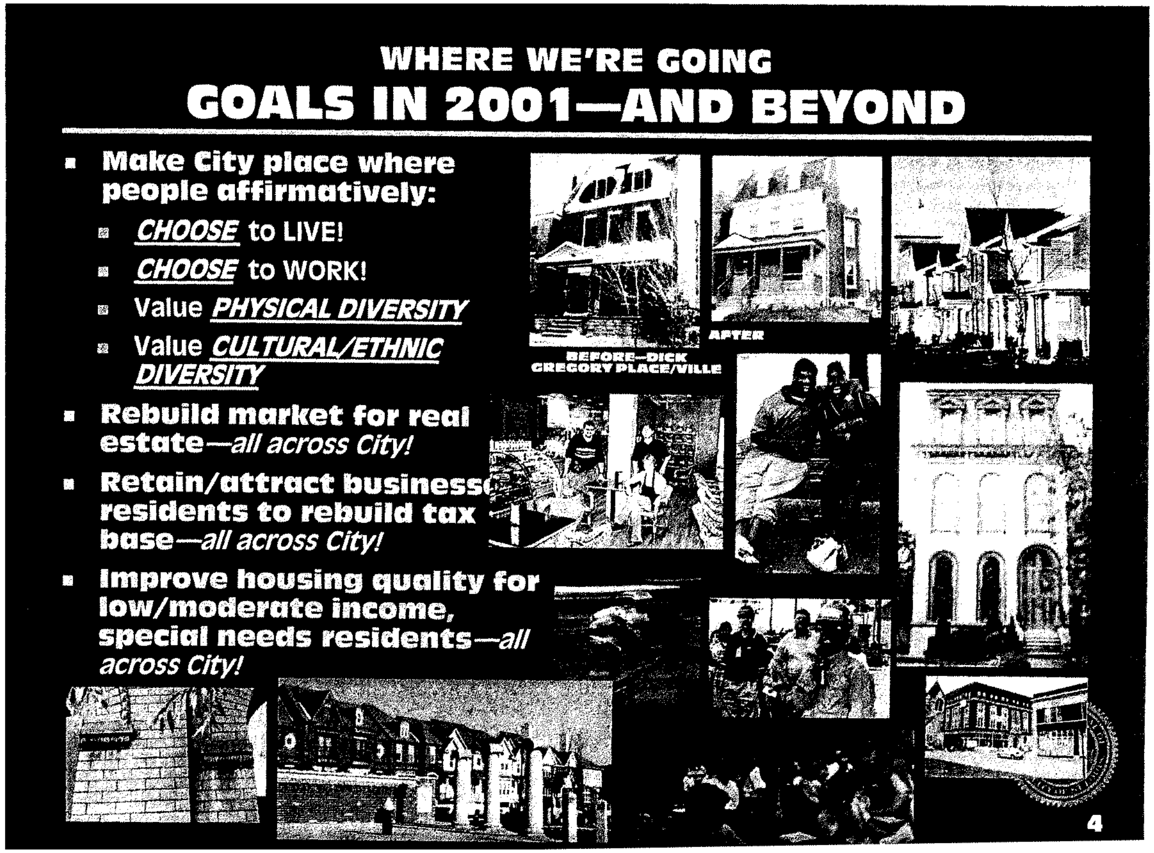
A P P E N D I X

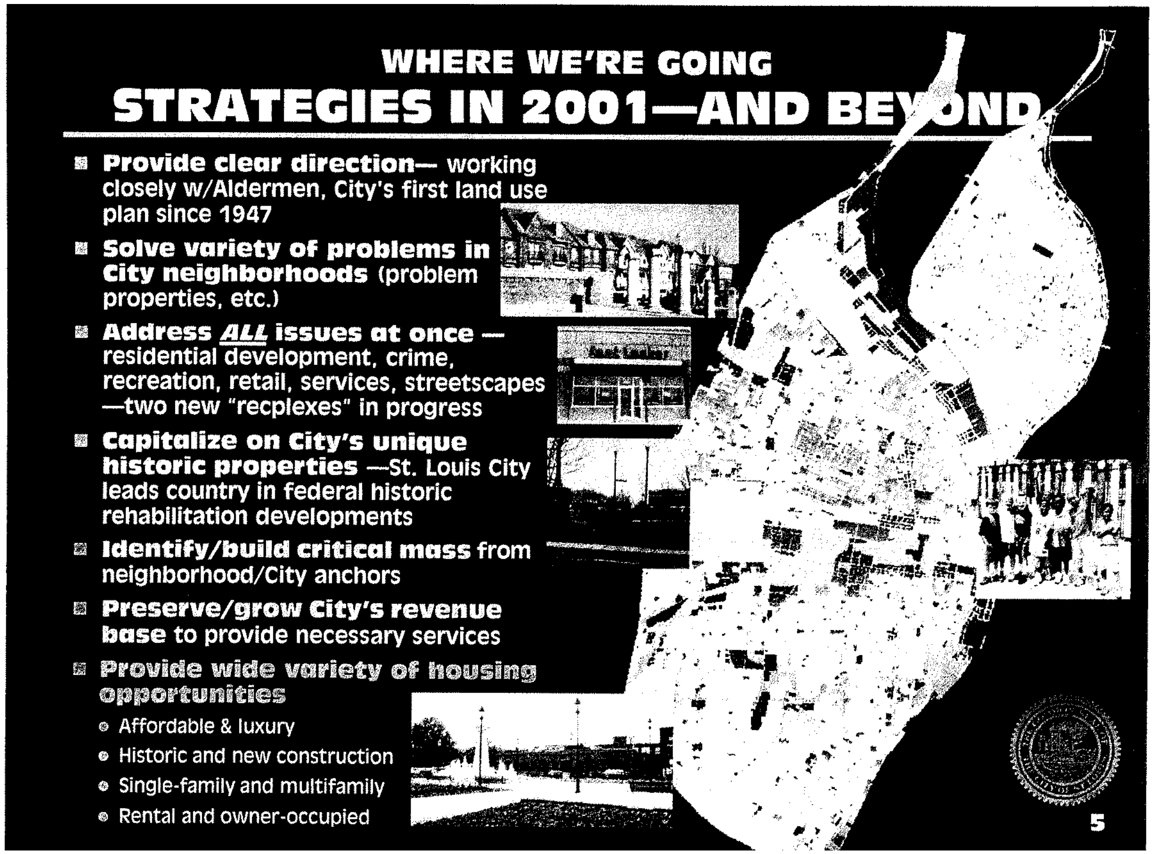
March 8, 2008


CITY OF ST. LOUIS:
USE OF FEDERAL HOUSING & ECONOMIC DEVELOPMENT FUNDS
PRESENTED TO THE
U. S. HOUSE OF REPRESENTATIVES SUBCOMMITTEE
ON
HOUSING AND COMMUNITY OPPORTUNITY
BY
BARBARA A. GEISMAN
EXECUTIVE DIRECTOR FOR DEVELOPMENT
MAYOR'S OFFICE—CITY OF ST. LOUIS
MARCH 8, 2008


TEAM FOUR REPORT FROM 1975
Three decades old
I was in college when it was written
I have never read it, nor has anyone else that I know
From what I know of it, its philosophy was WRONG
IS TOTALLY IRRELEVANT TO ANYTHING WE'VE BEEN DOING FOR THE PAST SEVEN YEARS
2


INTRODUCTION
WHERE WE WERE IN 2001
City not within county, landlocked by 1876 boundaries—no way to expand—62 sq. miles
Continuing to lose jobs, businesses
Continuing to lose people
Had lost 60% of population—500,000 people—over 5 decades 1950-2000
Fleeing population left behind wholesale abando ment of residences, business property...
Particularly in north St. Louis...
When property came up for sal there was no one to buy it
No internal or external confidence in City's ability to make progress
No hope
1830-2000:
POPULATION PER CENSUS
CITY OF ST. LOUIS
JOBS & BUSINESSES IN THE CITY
VACANT BUILDINGS IN THE CITY: CITY COUNT
1990 THROUGH 2007
3

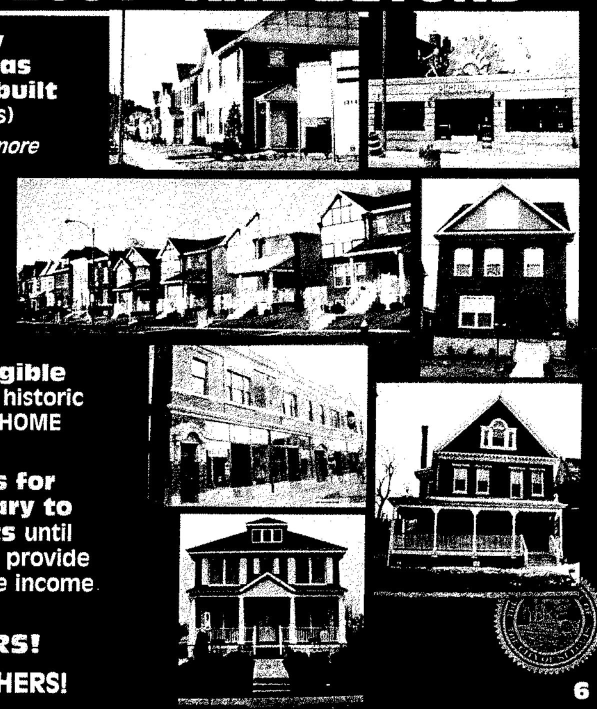

WHERE WE'RE GOING
GOALS IN 2001—AND BEYOND
Make City place where people affirmatively:
CHOOSE to LIVE!
CHOOSE to WORK!
Value PHYSICAL DIVERSITY
Value CULTURAL/ETHNIC DIVERSITY
Rebuild market for real estate—all across City!
Retain/attract business residents to rebuild tax base—all across City!
Improve housing quality for low/moderate income, special needs residents—all across City!
BEFORE—DICK GREGORY PLACE/VILLE
AFTER
4


WHERE WE'RE GOING
STRATEGIES IN 2001—AND BEYOND
Provide clear direction— working closely w/Aldermen, City's first land use plan since 1947
Solve variety of problems in City neighborhoods (problem properties, etc.)
Address ALL issues at once — residential development, crime, recreation, retail, services, streetscapes —two new "recplexes" in progress
Capitalize on City's unique historic properties —St. Louis City leads country in federal historic rehabilitation developments
Identify/build critical mass from neighborhood/City anchors
Preserve/grow City's revenue base to provide necessary services
Provide wide variety of housing opportunities
Affordable & luxury
Historic and new construction
Single-family and multifamily
Rental and owner-occupied
5

WHERE WE'RE GOING

STRATEGIES IN 2001—AND BEYOND

- **Secure/preserve/use as many incentives as possible for areas where market needs to be rebuilt** (augment scarce CDBG & HOME funds)
  - *Federal and State Historic Tax Credits (more federal historic districts)*
  - *State Brownfields tax credits*
  - *Tax abatement*
  - *Tax increment financing*
  - *Special federal grants*
  - *Low-income housing tax credits*
  - *City Affordable Housing Trust Fund*
- **Make more neighborhoods eligible for other incentives** (e.g., more historic districts) to augment scarce CDBG & HOME funds
- **Save scarce CDBG/HOME funds for neighborhoods where necessary to write down development costs** until neighborhood market has credibility, provide quality housing for low and moderate income residents
- **LEVERAGE PRIVATE DOLLARS!**
- **TEAMWORK** W/ALDERMEN, OTHERS!



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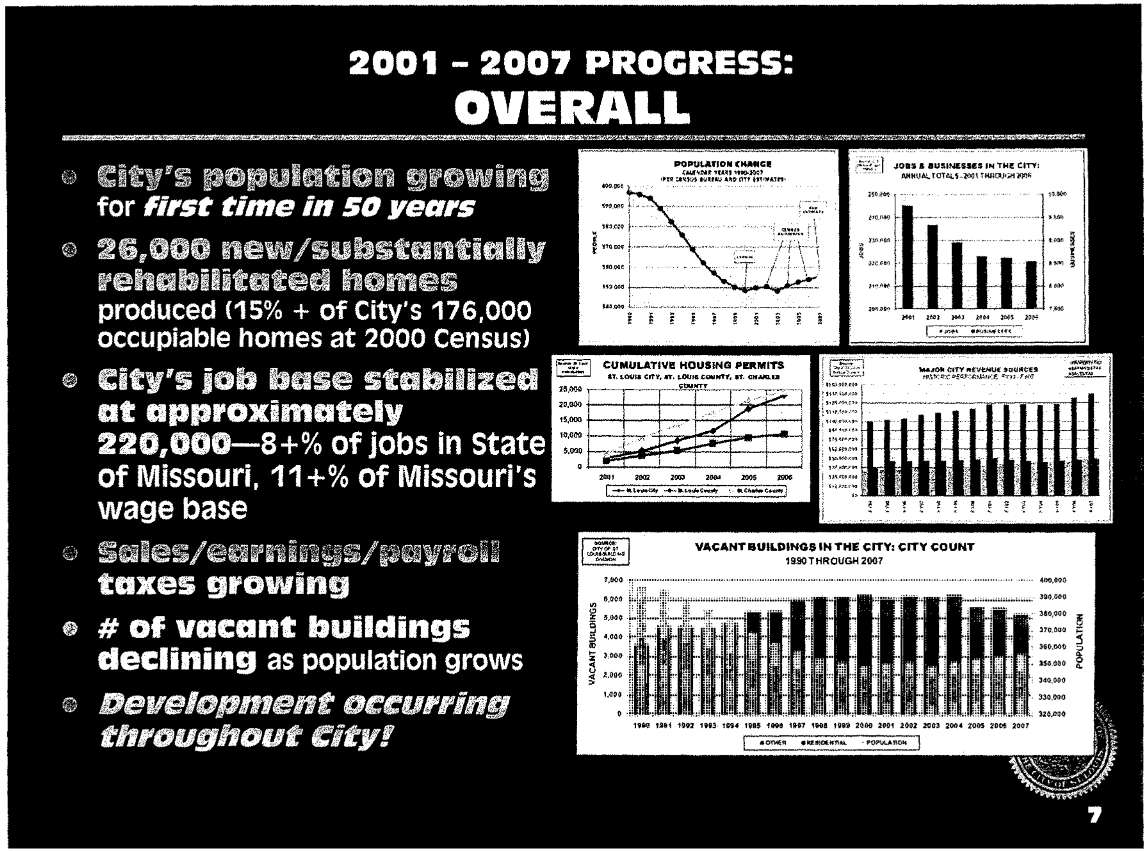
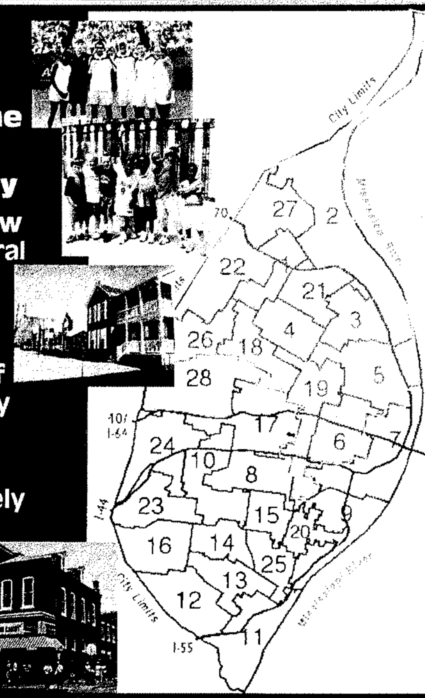

2001 – 2007 PROGRESS:
OVERALL
City's population growing for first time in 50 years
26,000 new/substantially rehabilitated homes produced (15% + of City's 176,000 occupiable homes at 2000 Census)
City's job base stabilized at approximately 220,000—8+% of jobs in State of Missouri, 11+% of Missouri's wage base
Sales/earnings/payroll taxes growing
# of vacant buildings declining as population grows
Development occurring throughout City!
POPULATION CHANGE
JOBS & BUSINESSES IN THE CITY:
CUMULATIVE HOUSING PERMITS
MAJOR CITY REVENUE SOURCES
VACANT BUILDINGS IN THE CITY: CITY COUNT
1990 THROUGH 2007
VACANT BUILDINGS
POPULATION
7

2001 – 2007 CHARACTERISTICS:
12 WARDS LED BY AFRICAN-AMERICANS

- **40.9% of City's population**
- **46.9% of City's land area**
- **55.4% of City's low/moderate income population**
- **54.4% of City's population in poverty**
- Note that African-American population is now located throughout City, particularly in central corridor, so all of City's African-American residents are not represented by these aldermen
- On block-by-block basis, St. Louis City one of most integrated in country, based on a study by University of Wisconsin
- Focused on wards led by African-American aldermen because we've been working closely with them—and due to time constraints

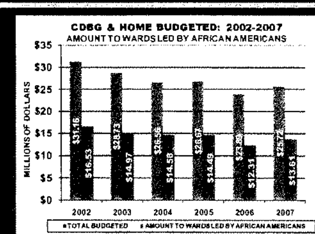


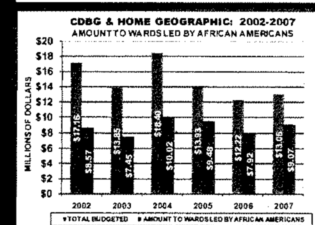
2001 – 2007 HUD FUNDING:
12 WARDS LED BY AFRICAN-AMERICANS

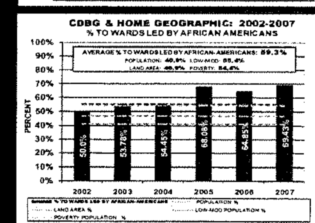
- Average of 59.3% of combined HOME/CDBG used in specific geographic areas was used in wards led by African-American Aldermen— 69.4% in 2007
- Average of 56.1% of CDBG used in specific geographic areas was used in wards led by African-American Aldermen—65.6% in 2007
- Average of 66.7% of HOME used in specific geographic areas was used in wards led by African-American Aldermen—81.0% in 2007
- Average of 53.2% CDBG/HOME for all purposes was used wards led by African-American Aldermen—includes administration, city-wide public services programs, homeless programs—for purpose of averaging, non-geographic programs distributed by dividing expenditure by 28 wards

BENCHMARKS:

- 40.9% of City's population
- 46.9% of City's land area
- 55.4% of City's low/moderate income population
- 54.4% of City's population in poverty







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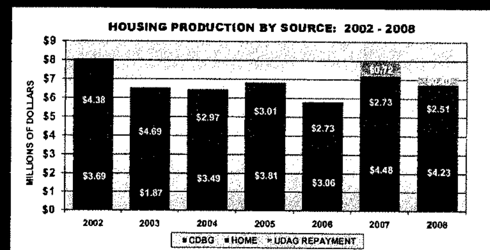
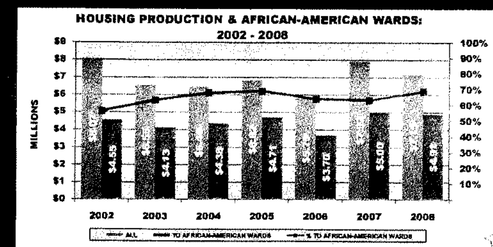
2001 – 2007 HUD FUNDING: 12 WARDS LED BY AFRICAN-AMERICANS

HOUSING PRODUCTION FUNDING:

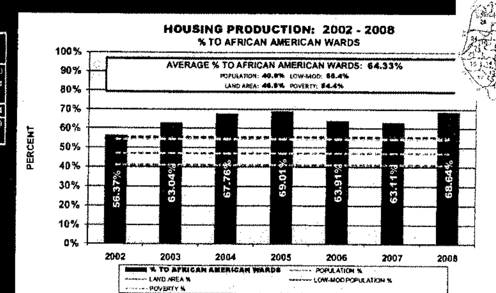
- Average of 64.3% of combined HOME/CDBG for housing production allocated to wards led by African-American Aldermen— 68.6% in 2008





HOUSING PRODUCTION FUNDING: 2001 - 2008

	2002	2003	2004	2005	2006	2007	2008
CDBG:	$3,688,601	$1,866,057	$3,494,400	$3,813,337	$3,062,750	$4,477,467	$4,233,990
HOME:	$4,379,000	$4,685,000	$2,967,850	$3,011,413	$2,727,000	$2,727,000	$2,511,504
UDAG REPAYMENT:	$0	$0	$0	$0	$0	$717,608	$400,000
TOTAL:	$8,067,601	$6,551,057	$6,462,250	$6,824,750	$5,789,750	$7,922,075	$7,145,494
AMOUNT TO AFRICAN-AMERICAN WARDS:	$4,547,524	$4,130,000	$4,378,568	$4,710,000	$3,700,000	$5,000,000	$4,905,000
% TO AFRICAN-AMERICAN WARDS:	56.37%	63.04%	67.76%	69.01%	63.91%	63.11%	68.64%



2001 – 2007 PROGRESS:
12 WARDS LED BY AFRICAN-AMERICANS

PER BUILDING PERMIT RECORDS:

- $1.7 billion in physical investment
- 8,172 new/substantially rehabbed homes
- Investment throughout northside & City
- Growing north/south from central corridor
- **$229 MILLION IN HOME/CDBG FUNDING LEVERAGED $4.9 BILLION IN TOTAL INVESTMENT CITYWIDE—21.1/1**
- <1/2% CDBG funds spent downtown in last 7 years—for business loans
- CDBGHOME funds reserved for neighborhoods

ESTIMATED INVESTMENT IN BUILDING AND STRUCTURES

PER BUILDING PERMIT DATA–1/1/01 THROUGH 2/28/08

WARD REPRESENTED BY AFRICAN-AMERICAN ALDERMAN	MAJOR COMMERCIAL	NEW/ SUBSTANTIAL REHAB RESIDENTIAL	MISCELLANEOUS CONSTRUCTION	TOTAL	TOTAL RESIDENTIAL UNITS
1	$14,232,000	$10,262,714	$6,600,363	$31,095,077	104
2	$66,134,236	$6,254,000	$9,158,583	$81,546,819	151
3	$13,651,050	$24,815,566	$4,929,161	$43,395,777	280
4	$20,095,977	$14,794,370	$3,477,394	$38,367,741	453
5	$70,472,096	$140,965,813	$11,291,294	$222,729,203	1,828
6	$269,685,080	$212,417,017	$54,672,682	$536,774,779	2,036
18	$32,179,562	$80,893,946	$13,834,877	$126,908,385	686
19	$259,314,414	$129,762,095	$20,825,659	$409,902,168	1,438
21	$11,553,150	$6,062,217	$4,321,188	$21,936,555	66
22	$29,196,685	$20,080,415	$7,102,176	$56,379,276	254
26	$9,018,000	$81,282,771	$9,925,421	$100,226,192	825
27	$10,099,500	$4,762,833	$3,263,927	$18,126,260	51
TOTAL	$806,631,780	$732,343,757	$149,402,728	$1,687,388,233	8,172

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2001 – 2007 PROGRESS:
12 WARDS LED BY AFRICAN-AMERICANS

PER BUILDING PERMIT RECORDS:

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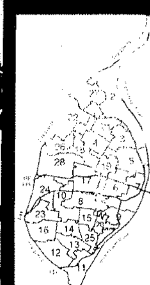

BUILDING PERMITS–EST. COST >$100,000

1/1/01 THROUGH 2/28/08

WARD	# OF PERMITS	EST. COST	% OF TOTAL $	% OF TOTAL #
7	965	$1,151,742,566	26.59%	17.50%
17	764	$846,151,546	19.54%	13.86%
6	550	$494,980,101	11.43%	9.97%
19	409	$393,294,677	9.08%	7.42%
28	305	$330,391,970	7.63%	5.53%
5	349	$201,228,787	4.65%	6.33%
9	277	$120,240,043	2.78%	5.02%
18	282	$111,454,423	2.57%	5.11%
26	244	$85,027,821	1.96%	4.43%
2	109	$72,048,236	1.66%	1.98%
10	146	$55,825,353	1.29%	2.65%
24	151	$52,393,849	1.21%	2.74%
8	128	$49,520,622	1.14%	2.32%
22	76	$47,334,950	1.09%	1.38%
11	124	$45,759,909	1.06%	2.25%
15	82	$38,014,557	0.88%	1.49%
3	78	$34,923,191	0.81%	1.41%
4	108	$33,266,847	0.77%	1.96%
16	59	$23,684,146	0.55%	1.07%
23	37	$22,930,000	0.53%	0.67%
1	65	$22,794,704	0.53%	1.18%
14	38	$20,360,879	0.47%	0.69%
20	47	$18,362,098	0.42%	0.85%
21	21	$17,565,167	0.41%	0.38%
27	28	$14,023,248	0.32%	0.51%
12	36	$13,850,293	0.32%	0.65%
13	18	$8,304,127	0.19%	0.33%
25	18	$5,495,466	0.13%	0.33%
TOTALS:	5,514	$4,330,969,576	100.00%	100.00%

Wards represented by African-American Aldermen

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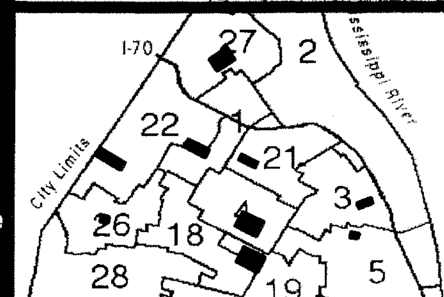
MAJOR DEVELOPMENT INITIATIVES
WHY WE NEED THEM

WE BELIEVE THESE "FACTS AND FIGURES" SHOW THAT, USING CDBG, HOME AND OTHER INCENTIVES, WE'VE MADE A LOT OF PROGRESS—IN NORTH ST. LOUIS AND THROUGHOUT THE CITY.

BUT... WE KNOW WE'VE GOT A LONG WAY TO GO—PARTICULARLY IN THE MOST DISTRESSED PARTS OF NORTH ST. LOUIS. THAT'S WHY...

WE'VE BEEN WORKING IN PARTNERSHIP WITH THE CITY'S AFRICAN-AMERICAN ALDERMEN...

- to identify major residential development initiatives in north St. Louis
- to develop a five-year plan to fund those initiatives, leveraging as many resources as possible to build critical mass in the most distressed parts of the City
- to focus our CDBG, HOME and other limited cash incentives on projects of sufficient scale to engender long term stability and revitalization



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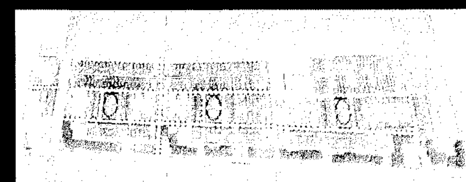
MAJOR DEVELOPMENT INITIATIVES

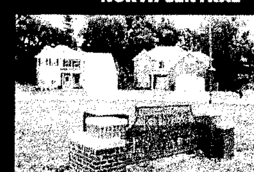
PROJECTED OUTCOMES—5 YEARS

- $141 million in residential development...
- to produce 350+ residential homes (250+ affordable)...
- using $54 million from a variety of incentive mechanisms...
  - $14.4 million HOME/CDBG
  - $4 million City Affordable Housing Trust Fund
  - $3 million ward capital improvements
  - City demolition funding
  - City parks funding
  - Public Housing Development funding
  - TIF/TDD/CID
  - State Housing Finance Agency tax-exempt bonds, low-income housing tax credits, loan funds
  - State historic tax credits
  - Private philanthropic funding
  - Private loans and equity
- **And producing major project in each of City's 12 wards led by African-Americans in next 5 years**
- Additional projects/phases to be added as 5-year period progresses
- **MORE DETAILS IF MORE TIME**



ARLINGTON GROVE—22ND WARD

NORTH CENTRAL—18TH & 19TH WARDS



KINGS HEIGHTS—21ST WARD

HYDE PARK—3RD WARD

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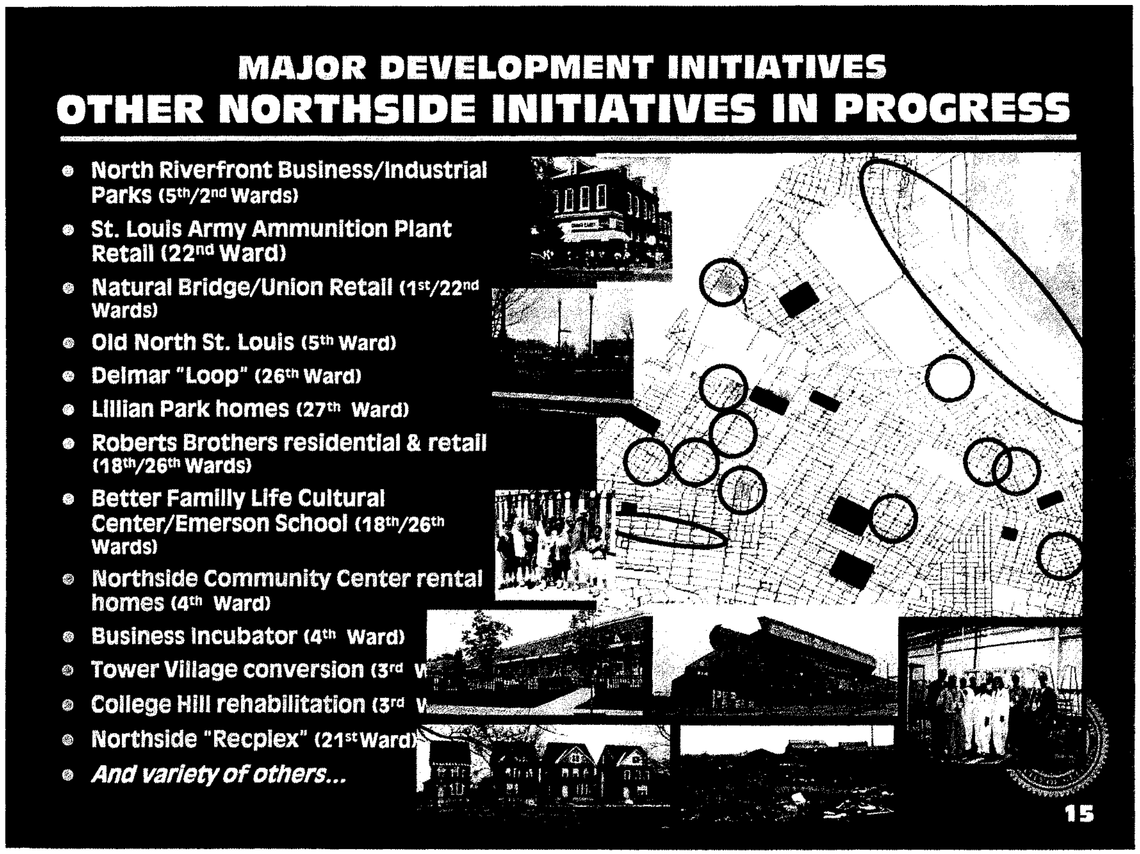
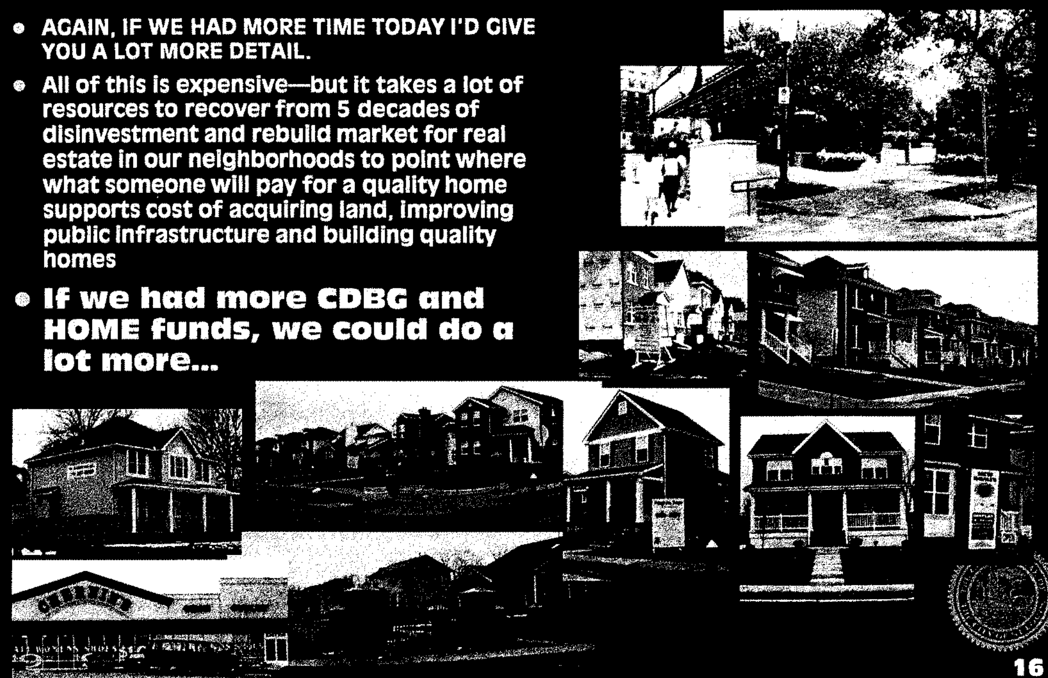

MAJOR DEVELOPMENT INITIATIVES
OTHER NORTHSIDE INITIATIVES IN PROGRESS
North Riverfront Business/Industrial Parks (5th/2nd Wards)
St. Louis Army Ammunition Plant Retail (22nd Ward)
Natural Bridge/Union Retail (1st/22nd Wards)
Old North St. Louis (5th Ward)
Delmar "Loop" (26th Ward)
Lillian Park homes (27th Ward)
Roberts Brothers residential & retail (18th/26th Wards)
Better Familly Life Cultural Center/Emerson School (18th/26th Wards)
Northside Community Center rental homes (4th Ward)
Business Incubator (4th Ward)
Tower Village conversion (3rd W
College Hill rehabilitation (3rd W
Northside "Recplex" (21st Ward)
And variety of others...
15

MAJOR DEVELOPMENT INITIATIVES
PROJECTED OUTCOMES—5 YEARS

- AGAIN, IF WE HAD MORE TIME TODAY I'D GIVE YOU A LOT MORE DETAIL.
- All of this is expensive—but it takes a lot of resources to recover from 5 decades of disinvestment and rebuild market for real estate in our neighborhoods to point where what someone will pay for a quality home supports cost of acquiring land, improving public infrastructure and building quality homes
- **If we had more CDBG and HOME funds, we could do a lot more...**

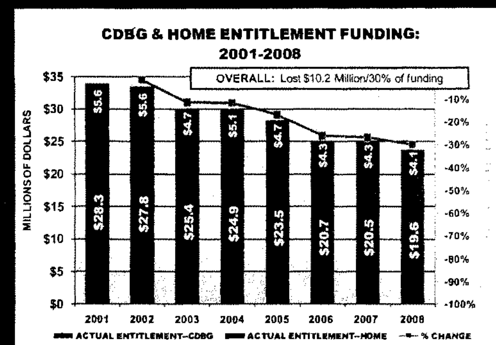


MAJOR DEVELOPMENT INITIATIVES
WHAT WE NEED

IN CLOSING, LET ME TAKE A MINUTE TO SHOW YOU WHAT HAS HAPPENED TO OUR HOME AND CDBG FUNDING OVER THE PAST SEVEN YEARS:

- In 2001, City received nearly $34 million in CDBG/HOME funding
- In 2008, allocation down to $23.7 million
- That's a loss of more than $10 million—more than 30%--during a time period when costs have escalated significantly
- We cannot continue to do more with less—we need more to do more.
- And we hope Congress will see fit, at minimum, to refrain from cutting these programs any more...
- And, in an ideal world, start restoring funding we have lost.
- If Congress does this, we pledge to continue to do everything we can to continue to rebuild our City—and particularly north St. Louis.

(A RETURN OF THE UDAG PROGRAM, HISTORIC TAX CREDITS FOR OWNER-OCCUPIED PROPERTIES, AND MORE NEW MARKETS TAX CREDITS WOULD BE NICE, TOO!)



CDBG & HOME ENTITLEMENT FUNDING: 2001 - 2008

YEAR	CDBG	% CHANGE	HOME	% CHANGE	TOTAL	% CHANGE
2001	$28,349,000	100.00%	$5,627,000	100.00%	$33,976,000	100.00%
2002	$27,832,000	-1.82%	$5,615,000	-0.21%	$33,447,000	-1.56%
2003	$25,366,000	-10.52%	$4,716,278	-16.18%	$30,082,278	-11.46%
2004	$24,898,000	-12.17%	$5,141,993	-8.62%	$30,039,993	-11.58%
2005	$23,513,340	-17.06%	$4,655,716	-17.26%	$28,169,056	-17.09%
2006	$20,702,731	-26.97%	$4,327,724	-23.09%	$25,030,455	-26.33%
2007	$20,545,705	-27.53%	$4,295,596	-23.66%	$24,841,301	-26.89%
2008	$19,638,535	-30.73%	$4,107,602	-27.00%	$23,746,137	-30.11%

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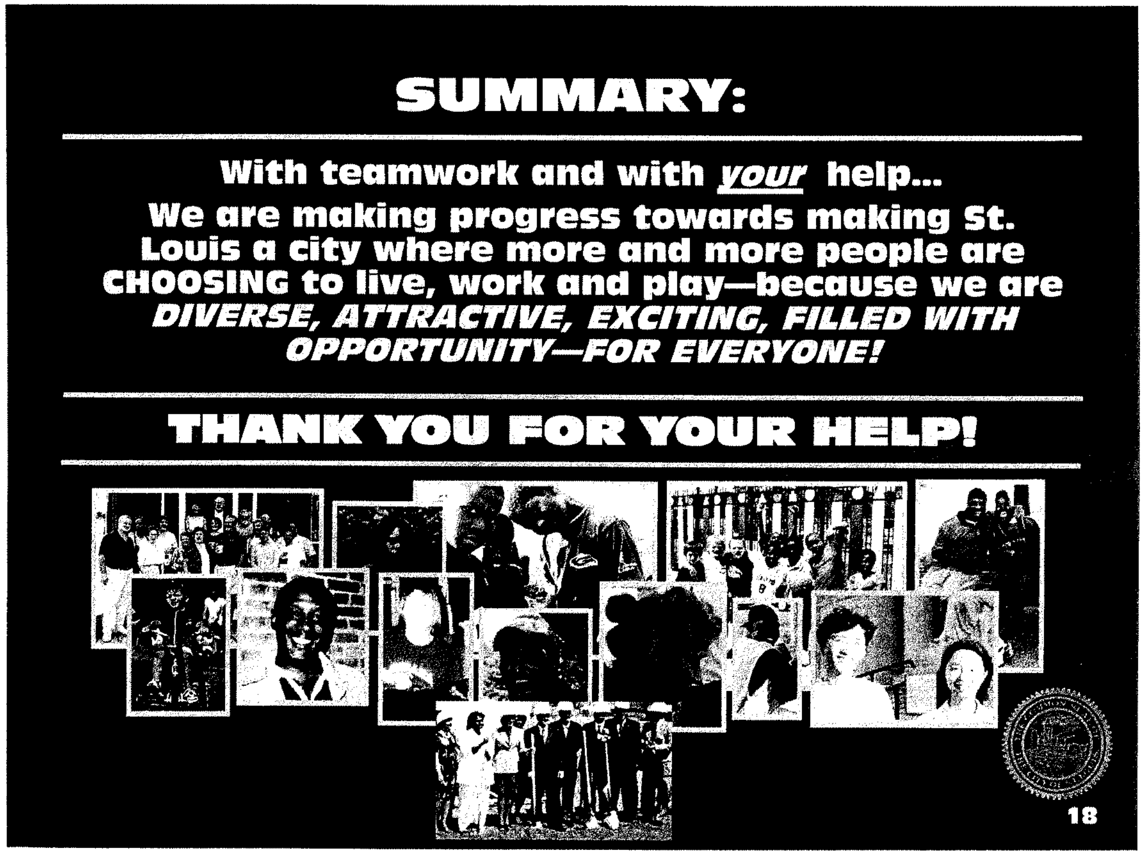
SUMMARY:
With teamwork and with your help...
We are making progress towards making St. Louis a city where more and more people are CHOOSING to live, work and play—because we are DIVERSE, ATTRACTIVE, EXCITING, FILLED WITH OPPORTUNITY—FOR EVERYONE!
THANK YOU FOR YOUR HELP!
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MAKING ST. LOUIS A
GREAT CITY AGAIN...
PIECE BY PIECE,
FOR EVERYONE—
THANKS TO GREAT
TEAMS!

WRITTEN STATEMENT OF
STANLEY GIMONT, ACTING DIRECTOR
OFFICE OF BLOCK GRANT ASSISTANCE
U.S DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FIELD HEARING ON

"THE USE OF FEDERAL HOUSING AND ECONOMIC DEVELOPMENT FUNDS IN ST. LOUIS"

BEFORE THE

SUBCOMMITTEE ON HOUSING AND COMMUNITYOPPORTUNITY

COMMITTEE ON FINANCIAL SERVICES

U.S. HOUSE OF REPRESENTATIVES

ST. LOUIS, MISSOURI

MARCH 8, 2008

on the uses of CDBG funds. Looking back over the past seven years, we see little change in the percentage of funds disbursed on a year to year basis for particular types of activities such as public improvements, housing, public services and economic development.

Public improvements represent the largest use of CDBG funds, accounting for approximately 32 percent of annual disbursements in each of the past seven years. The dollar amount associated with these disbursements is in excess of $1.5 billion annually and HUD tracks disbursements for 24 different categories of public facilities though IDIS.

With regard to housing activities, the largest single use of CDBG funds is for rehabilitation of single residential units. In FY 2007, more than 582 million dollars or 12.75 percent of all CDBG funds were disbursed for single family rehabilitation purposes. This resulted in assistance to more than 117,000 housing units nationwide in FY 2007.

Economic development is a focus of this hearing as well and, over the past several years, CDBG grantees have been disbursing between 8 and 9 percent of their funds for economic development activities such as financial assistance to for-profit entities and commercial/industrial infrastructure development. As an example, grantees disbursed $378 million for these economic development activities during FY 2007. It should be noted that the vast majority of CDBG-funded economic development activities are being carried out through the State CDBG program.

HUD is pleased with the initial results of the new performance measurement framework that establishes clear, measurable goals and community progress indicators for our formula programs. The collaborative effort to develop the framework stretched over two years and involved grantees, public interest groups and the Office of Management and Budget. The framework was put in place in March of 2006 and grantees were requested to begin entering data for all activities open in IDIS as of October 1, 2006. Fiscal Year 2007 represented the first full year of data from the framework and HUD has been reviewing those data with an eye toward improving our reporting guidance and ultimately obtaining enhanced data from our grantees on the results being achieved with these funds.

CDBG helps communities across the nation address a variety of needs. However, reforms are necessary to improve the ability of the program to improve and expand the economic opportunities of the lives of low- and moderate-income Americans. By revising the CDBG formula, adding a Challenge Fund, consolidating programs that duplicate efforts, and implementing a new performance measurement framework, we will successfully address the many concerns regarding the CDBG Program.

I thank you for this opportunity to speak with you about the CDBG Program and I look forward to answering your questions.

FTMBC
Friendly Temple Missionary Baptist Church

Testimony of Reverend Michael Jones
Senior Pastor
Friendly Temple M. B. Church
St. Louis, MO

On "The Use of Federal Housing and Economic Development Funds in St. Louis: From "Team 4' Into the Future"

For the Subcommittee on Housing and Community Opportunity

Committee on Financial Services
March 8, 2008

Introduction and Overview

Thank you Chairwoman Maxine Waters, Congressman Clay, and other guests for this opportunity to share community development accomplishments of Friendly Temple Missionary Baptist Church with you.

Friendly Temple M. B. Church (FTMBC) is a faith-based organization committed to leveraging it resources and building relationships to revitalize its surrounding community. With the establishment of non-profit corporations, development of several properties, coordination of congregation members, and collaboration with various community partners, FTMBC has been able to make a significant impact on the community it serves.

FTMBC is located in the heart of the inner city of St. Louis, Missouri. Our surrounding area is characterized as one of the most deficient areas in the City of St. Louis. We are located in an area, with which many of you are all too familiar, that represents America's disinvested community.

Some sobering statistics include:

- 38% unemployment
- Approximately 23% adults and children living in below poverty level
- Substandard housing
- Many tracts of vacant, abandoned and boarded up homes
- More than 98,000 incidents of crime reported in 2006

Because of the multiplicity of needs, our congregation seeks to make a difference in the lives of the people who live in the area surrounding Friendly Temple Missionary Baptist Church (FTMBC). As a result, our church created a nonprofit human service organization, called the ***Robert Fulton Development, Inc.*** The mission of Robert Fulton is to revitalize the community by maximizing the potential of all community members through a holistic approach focusing on:

(1) Children and Youth Development
(2) Education
(3) Health Services
(4) Counseling
(5) Food and Clothing
(6) Affordable Housing.

Through these six focus areas and with the dedication of a strong volunteer base, Robert Fulton has been able to serve the community with a number of initiatives. We currently offer a number of programs to the community that without the assistance of federal funding. Here are examples of those programs:

1) Drug & Alcohol Program
2) Homework Assistance Program
3) Abstinence Program
4) Clothing Program
5) Financial Literacy Program
6) Counseling services, etc

With the assistance for funding sources, we would expand the reach of the above services within the community and offer enhancements to provide more robust support to St. Louis City residents.

The success of our programs is dependant on a strong volunteer base. Members of Friendly Temple Missionary Baptist Church have contributed skills and talents to serve the needs of community residents. These skills and services range from organizational development, education, counseling, law, accounting, social work, computer science, engineering, architecture, management, food preparation, carpentry, general maintenance, and child care development. Our volunteers help provide structure and a professionally stimulating environment for residents to develop and make decisions to secure a more stable future.

In addition to utilizing the skills and talents available through the congregation, FTMBC has also been successful at building community partnerships with government entities (local and federal), corporations, other churches, colleges and universities, and community organizations. These partnerships have enabled FTMBC to increase the impact of its work by serving more people and developing projects larger in scope.

Through the leveraging of resources and building of relationships, FTMBC has been able to

- Serve over 4,000 individuals annually through its various outreach programs
- Develop and manage 21housing affordable units from decaying properties
- Design and renovate a derelict 40,000 square-foot warehouse into what is now known as the Friendly Family Life and Worship Center which includes a full-size gymnasium, classrooms, community meeting space, office space, and more
- Partner with HUD to develop 202 Supportive Housing for Seniors 110 apartment units
- Operate the one of the largest Volunteer Income Tax Assistance (VITA) sites in the St. Louis area, preparing more than 1,500 tax returns in 2005 generating $900,000 in Earned Income and Child Tax Credits, and $350,000 in state property tax credits for seniors and people with disabilities
- Projects represent new investments in a disinvested area valued over $40 million

Robert Fulton has been providing outreach services to the community for the most part without the assistance of federal funds. We have recently received nominal grants from local community agencies to assist with providing the following services to the community:

1) Lead based education and home repairs (CDBG Block Grant from CDA)
2) Training and education for teen parents (Weed & Seed Grant)
3) Free tax preparation for the elderly and low-income
4) Recruitment for youth programs targeting at risk youth in the community offered through Slate partnerships (Slate Grants).

There are additional programs we would like to offer. Unfortunately, of the $121 million provided to Missouri Faith Based Organizations, Friendly Temple Missionary Baptist Church received no funding. There is a great need to offer G.E.D. classes, Adult Computer Classes, Job Readiness Training, and an Apprenticeship Program which will help close the unemployment gap.

Robert Fulton has a continued focused on community development. Our organization is dedicated to providing a quality education to the youth and affordable housing for community residents. Federal assistance is needed to help fund our school (Friendly Temple Christian Academy) and our Child Development Center (Friendly Town CDC). Of the current housing provided, with the assistance of funding, the number of units available to residents in the community would increase by 40% percent. In addition to providing quality affordable housing, we also have goals to increase the percentage home ownership within the community through a lease/purchase program. Your assistance in securing federal funding would help strengthen these initiatives.

Additional components of community development is to bring commercial business into the area. Robert Fulton Development, Inc., has plans to open a business center, provide commercial office space along with conference rooms, open a restaurant, develop a strip mall, and build 300 - 400 market rate homes in the community. This will be accomplished in a streamlined timeframe with the assistance of the committed federal funds.

It is our hope that as we continue to rehabilitate the community, we also take a look at closing the poverty levels/gap between the new north St. Louis residents compared to those embedded residents that continue to struggle with basic physiological needs which include economic, educational and health requirements. Our programs will address each of these critical areas of focus. We desire funding which will allow us to focus on providing resources for those who are interested in achieving financial independence additional educational assistance and a broad array of services focused on healthy living. Our goal is to penetrate the community to demonstrate the benefits of these services and focus on ways that we can lessen the divide of those who maintain a high economic status and those with a poverty stricken outlook.

In closing, let me say, we should not allow the stigma of an impoverished neighborhood keep us from investing in the future development of this area. Revitalization will keep the community from further deterioration. Dollars granted will show the promise of hope for St. Louis City residents. Let's not neglect neighborhoods because they are adverse. A commitment for this return on investment will maximize growth and offer the ability for continued mobilization of our volunteers to raise the level of awareness through each program offered at Friendly Temple Missionary Baptist Church and Robert Fulton Development, Inc. The 1975 report suggests there will never be enough money to revitalize transitional neighborhoods. I submit to you that each dollar counts and is best used in areas that are deserving of an opportunity to experience rebirth. The evidence of our efforts is seen throughout the community. I encourage you to invest in us today for even greater works.

Thank you for the honor of addressing this committee today. I am available to further discuss outstanding questions the committee may have.

Thank you.

U.S. House of Representatives
Committee on Financial Services

Subcommittee on Housing and Community Opportunity
Maxine Waters
Chairwoman

Comments on:
St. Louis Team 4 Plan

Submitted by:
Terry Kennedy
Alderman
18th Ward
City of St. Louis

In 1971 US Census statistics indicated that St. Louis' population was nearly 700,000 people. St. Louis was still a bustling city struggling with racial parity, integration and diversity. The City's African – American population was growing and was one of the most economically diverse in the city. St. Louis was facing demands from the Civil Rights Movement, the Women's Movement, Anti War Movement, Black Cultural Movement and a growing Ecology Movement.

St. Louis was in population decline from a peak in the 1950s with nearly 900,000 people. It was seeing increased urban decay and a growing economic underclass. It needed infrastructure improvements and was seeing business losses and decline.

In 1974 a consultant group composed of a variety of individuals created a compressive plan for the redevelopment of the City of St. Louis. Individuals from both St. Louis and Washington Universities were a part of this consulting group. It was called Team Four (Team 4). The strategy created by this "team" was called the Team 4 Plan and was submitted for consideration by city officials, the Mayor's Office in particular. They had been requested to do so by the city planners in their attempt to provide an answer and remedy to the decline.

The Team 4 Plan was a comprehensive plan that included recommendations for zoning, public services, taxing, transit, code enforcement, policing, economic development, citizen participation and the use of development "tools." The plan outlines strengths and weakness of the city development structure, of that day, and makes recommendations. It further outlines issues facing the city and puts forth recommended approaches based upon "available" resources.

The strategy created by Team 4 included dividing the city into three major categories. The categories created by Team 4 where, in theory, based totally upon the objective reality and physical condition of each area and the desire to make each area suitable for living at a higher standard. They were in fact, however, greatly based upon race.

The categories created were as follows:

1. Conservation Areas:
   These are areas that Team 4 labeled as "economically viable" These areas had, for the most part, good to excellent housing stock, viable business districts and well applied city services.

2. Redevelopment Areas:
   These are areas that had immediate potential for redevelopment and/or importance to the economic viability of the city or region. These areas had, for the most part, fair to excellent housing stock, viable business districts and good city services.

3. Transition Areas:
   These areas were considered to have less economic, social or political significance for the city and its planners. These areas had excellent to substandard housing stock and business areas in decline. City services were generally inconsistent and spotty. These areas were generally economically poorer than the Conservation and Transition Areas.

Team 4 created an approach and strategy for each area. The strategy included housing, economic development, transit and citizen participation requirements and development activities.

In the Conservation Areas the approach included continuing to concentrate resources and services to maintain and improve these areas. Redevelopment Areas were to receive larger amounts of dollars and increased services to improve their viability and increase their usefulness to the city. Transition Areas were to have services reduced, less investment and land banking for future development.

Though on its face, it could appear to be a viable and unbiased plan based upon the seeming "conditions" it is in fact racially divided. For the most part, the Transition Areas were those areas in North St. Louis which, in 1974, were predominately African – American. Though, there were at that time several well to do, stable and affluent African – American neighborhoods in North St. Louis they, too fell prey to this disinvestment of city services and land banking. Clearly indicating that, the Team 4 Plan seemingly had more to do with race than objective conditions.

Under the Team 4 Plan, the Conservation Areas were concentrated in South St. Louis which had, in 1974, a majority white population. The Redevelopment Areas were also, for the most part, in South St. Louis. They also included large tracts of land in the Central Corridor of the city which was also majority white.

The Team 4 logic seemed to be to strangle out North St. Louis, African – American communities, allow it to die, cause people to move to North County and land bank the land for future endeavors. White populated areas, the Conservation and Redevelopment Areas, were to receive increased and concentrated services and investments.

Needless to say, the publication of this plan created a fire storm. The city did not formally adopt this plan but a series of ordinances where later enacted that seemed to propagate its tenets. Some of these ordinances even carried names put forth by this plan e.g. the city's Housing Conservation District ordinance. The early districts of this type were formed in South St. Louis. The first ordinance enabling Housing Conservation Districts was created March 19, 1986. The name of these districts mirrors the name of the first area designated by the Team 4 Plan for improvement.

It sometimes seems that once a ball gets rolling it is hard to stop. Justification seems easier and reasonable in relations to the momentum already created. This seems to be what has happened in St. Louis. Over the years, federal dollars have followed the pattern of the Team 4 Plan. Though the areas designated as "Transition" are in fact the most disadvantaged, they have seen the least investment of federal dollars. These Transition Areas, in North St. Louis, do in fact give the greatest justification for the city's application for federal housing dollars but have seen the least of it. Though other areas have and do qualify for the use of these monies, they do not have the greatest need. Only now, as the federal dollars begin to dwindle, do we see some efforts to increase expenditures in North St. Louis. With less money to allocate, North St. Louis still gets the short end of the stick.

Seemingly over the years, city priorities and specific services have also followed the tenets of the Team 4 Plan. For the most part, neighborhood planning in North St. Louis was not a city priority, leaving mostly reactionary maintenance activities. As a result, North St. Louis has continued to degenerate while the South, Downtown and Central Corridor Areas have grown. The development that has happened in North St. Louis has taken place despite these policies. Most of the development that has taken place in North St. Louis has been due to dedicated groups of citizens, ward elected officials and bold investors willing to take the risk. The need is far greater than what these efforts have yielded thus far.

Though it can be argued that since the Team 4 Plan was never adopted by ordinance, it was not actually a formal policy of the city. This may be true on its face, but developments over the years have followed its patterns and tenets. At the very least, it has lent itself to distrust between the various communities of this city, as well between some citizens and City Hall. Only through a real and open dialog and significant redirection of resources to the areas of most need can this city truly say the Team 4 Plan of 1974 is dead.

Written Testimony of Mark Mallory
Mayor, City of Cincinnati

Before the
United States House of Representatives
Subcommittee on Housing and Community Opportunity

St. Louis, MO
March 8, 2008

Madam Chair and distinguished members of the Subcommittee on Housing and Community Opportunity, on behalf of the City of Cincinnati, I respectfully submit the following testimony regarding better utilization of accurate data in urban communities.

Demographic data is routinely used by the private sector, the public sector, and even by private individuals to make key location and financial decisions. In order to make certain that services are located where they are needed most, Mayors must ensure the accuracy of their city's data. With accurate data in hand, Mayors can assess the most underserved parts of their community and begin to drive investment to those areas.

Challenging the Census

In June of 2006, the United States Census Bureau released its 2005 population estimates. Those estimates claimed that Cincinnati's population had decreased 6.8% since the year 2000, making it the fastest shrinking city in the United States. The local media ran multiple, high-profile stories on the population decline, including ample speculation on the cause of the loss. Civic pride seemed to be at an all time low.

No one in the media questioned the validity of the Census Bureau's data. After all, census data comes with a certain level of authority and believability. However, all of the new development, housing starts, and general energy that I had witnessed since becoming Mayor told me that the census data simply could not be correct.

I decided to challenge the figures. Using a statistical analysis of city records; including building permits, demolition permits, and conversions of commercial and industrial buildings into new housing; we were able to prove that Cincinnati was not losing population at all. In fact, with 331,310 people, we were gaining population for the first time in over 50 years. The Census accepted our challenge and perceptions about the state of Cincinnati began to turn around.

Beyond the Census: Creating a Complete Picture of Cincinnati

In going through the census challenge process, it was clear that the census update process still left many Cincinnatians uncounted. At this point, I became aware of a national non-profit organization called Social Compact that was creating a new paradigm in demographic counts with their *DrillDown Analysis*. The analysis strived to find populations and, importantly, incomes that are not traditionally captured by the census.

I invited Social Compact to work in Cincinnati and, by overlaying 27 different pieces of non-traditional population and income data; they were able to find almost 47,000 additional people representing $2 billion dollars in unrealized spending power. The numbers were staggering. If the data had been so wrong, how many decisions about where grocery stores, banks and pharmacies were needed in our neighborhoods were wrong as well? An uncounted population certainly meant an underserved population.

Filling the Need: Shop 52

With more accurate data in hand, my office created *Shop 52*, a strategy to increase needed services in each of Cincinnati's 52 neighborhoods. In order to capitalize on the previously unrecognized potential of our neighborhoods, I knew that city government would have to embrace these new figures and we would have to engage the private sector, financial institutions, and community leaders.

Public Sector Leadership

Immediately after the Drilldown study was released, I sat down with the City's department directors and made it clear that the Drilldown's population figure of 378,259 – and not the census data – was to be considered fact by our local government. The administration's "Neighborhood Enhancement Program," an effort that focuses intensive city services on one neighborhood for 90 days, worked hand-in-hand with the Drilldown analysis by operating in neighborhoods that were recognized by the study as most underserved.

Engaging the Private Sector

According to the Brookings Institute's *Urban Market Initiative*, 80% of all retail decisions are based on census-derived data. That means that retailers were not looking at Cincinnati in an updated, accurate way. I put together a Retail Attraction Task Force, made up of local commercial retail brokers, to help spread the word about Cincinnati's true potential. Additionally, I worked with the brokers to help set up meetings with retailers at the International Convention of Shopping Centers (ICSC) annual meeting. Prior to 2007, the City of Cincinnati had never attended an ICSC event. I have committed to regularly attending those "deal-making" meetings to help sell Cincinnati to the national retail community.

At last year's ICSC meeting, several retailers told me that they would love to locate in Cincinnati if they could find a franchisee willing to work with them. I have also heard from several local citizens who are interested in opening their own franchise. In May of 2008, I will be working with the International Franchise Association (IFA) to hold an educational seminar that will encourage additional minority, woman and veteran owned franchises in Cincinnati. The seminar will help connect individuals to specific franchises and will also walk them through the steps necessary to begin work in the field.

One retail need, in particular, was emphasized by our new data – Cincinnati is ready for a downtown full-service grocer. To that end, I convened a Grocery Store Task Force made up of community leaders, young professionals, development experts and downtown champions. Their sole purpose is to make the case for a downtown grocer and then to make it a reality.

In order to fill the need for increased services in our underserved communities, Cincinnati cannot rely on national retailers alone. Small, locally-owned businesses will be vital to the growth of our city. Because of this, I saw the importance of engaging financial services to discuss increasing capital for Cincinnati's small businesses. In February of 2008, I brought together 100 community leaders, community development experts, small business service providers and banking professionals for an *Urban Markets Summit*. The discussions centered on barriers and opportunities in the local small business development environment and the group looked at four specific neighborhoods to discuss improvements in their individual business districts.

As a result of the summit, city government will be beginning discussions about how the ideas generated can help shape future policy. Additionally, a national provider of secondary markets for small business loans has committed to expanding in Cincinnati. I will continue discussions about the ways that local banks can help further Cincinnati's potential.

Engaging Communities

I have always believed that any neighborhood development must be driven by community leaders with full input from the neighborhood's citizenry. With this in mind, I met with community council presidents in small groups to share the new Drilldown data with them. Armed with the new data, neighborhood leaders will be better prepared to direct change in their business districts.

Additionally, I asked community council presidents for information about their neighborhoods. What currently unused properties in their neighborhoods do they see as having the highest potential? What types of development would they like to see in their neighborhoods? The information they provided me with will help me direct services to those communities as I work with the retail community.

Moving Forward: Continuing Better Data Utilization

The better utilization of data can go a long way to drive the perceptions about a community. Every year, a wide variety of "surveys" comparing cities to each other are released. The surveys name everything from the top 25 most violent cities, to the top 10 poorest cities, to the top 20 fattest cities. When a city makes one of the lists, it inevitably makes local headlines and enters the community conversation. The surveys have a way of becoming key perception drivers.

Of course, if the foundational data used in these surveys is flawed, the results will be flawed as well. That foundational data often comes directly from the census. A recent survey naming Cincinnati the "3rd poorest in the country" used outdated Census data. With current data, our city doesn't even make the list. I've asked my Young Professionals Kitchen Cabinet (YPKC) – a group of 100 young professionals I have convened to help Cincinnati attract and retain young professionals – to look into the issue. The YPKC will help drive accurate data to the creators of these lists. Ideally, a proactive use of accurate data will be used to adjust Cincinnati's position on the lists and therefore drive national and local perceptions about our city.

With the amount of emphasis that my administration has put on data-driven policy, the 2010 Census will be central to the continued development of Cincinnati. We must get the count right. The *DrillDown* study taught us how many people are here. With all of the continued growth that Cincinnati is experiencing, 378,259 people should be the absolute minimum that we should expect to find in 2010. To help ensure that, I am convening a "complete count" committee that will serve to get as accurate a count as possible. I am determined to make Cincinnati's 2010 count process a national best practice.

In the coming decade, a wide variety of decisions will be based on the data that we are able to collect about our community. Cincinnati Public Schools will decide how many teachers they need and where new schools should be built. Developers will decide whether or not to move forward with major new projects. Small business owners will decide whether to open a second location. Citizens will decide whether Cincinnati is where they want to raise their families. All of these decisions will be better informed, and Cincinnati will be better positioned for the future, if we demand better data.

US House of Representatives
Committee on Financial Services
Subcommittee on Housing and Community Opportunity
Chaired by The Honorable Maxine Waters

"The Use of Federal Housing and Economic Development Funds in St. Louis: From Team Four into the Future"

I would like to thank Congressman Lacy Clay for the invitation to participate in this important hearing and for the Subcommittee's interest in one of the greatest travesties this city has exacted upon its citizens than I have ever seen. It is one that not only deserves a critical exploration and thorough assessment nearly 35 years later but it demands an array of remedies for the hemorrhaging that is still occurring today.

My name is Jamala Rogers. I have been a community organizer for forty years. I am currently chairperson of the Organization for Black Struggle (OBS) that I helped to found in 1980 for the purpose of organizing African-Americans around issues that affect our quality of life. Some of our members were also involved in a number of predecessor organizations including the Ad Hoc Committee Against Team Four Projections and the Coalition Against the Team Four Plan. As a result, files on the struggle against the implementation of the Team Four Plan are part of the OBS archives.

My formal training is in education and youth development. I have a BA in education and English and a MA in education and curriculum development. I have served in a number of capacities in youth services and programs. In 1993, I was appointed by Mayor Freeman Bosley, Jr. to establish the Office of Youth Development for the City of St. Louis. I continued to serve as Commissioner of Youth under Mayors Clarence Harmon and Francis Slay. My responsibility was to look at the holistic development of the City's children and youth and to ensure that the environments where they lived, played, went to school and worked were stable, safe and secure. That was—and still remains—a challenge for children, who are black and poor and their families.

To fully understand the genesis of a Team Four Plan, we must know the social, political and economic landscape of that period. The Kerner Report, which turned 40 years old this year, documented the incendiary conditions leading to the rebellions in black communities from 1965-1967. This included chronic poverty, police violence, high unemployment, poor schools, and lack of access to health care aggravated by racism. It was the assassination of Dr. Martin Luther King that lit the fuse on April 4, 1968 and saw the nation's urban centers go up in smoke. The human spirit can only take so much.

The Kerner Report was regarded by many as a genuine investigation by the National Advisory Commission on Civil Disorders, affirming the life situations of the black, brown and white masses. The Kerner Commission concluded that "our nation is moving toward two societies, one black, one white—separate and unequal." However, it was really intended to be a national wake-up call to middle class and wealthy white urban dwellers. The sweeping recommendations of federal initiatives such as the creation of jobs, the construction of decent housing and the removal of discriminatory barriers to economic mobility were buried in the graveyard of opportunity when a conservative white backlash whisked Richard Nixon into the US presidency.

The hidden message of the Kerner Report concluded that poverty and hopelessness were too entrenched in America's ghettoes, that future rebellions were inevitable and destined to be even more devastating and deadly. There was also the fear of exploding black populations which threatened the status quo and consolidation of political power in the hands of the white elite. The underlying strategy was to move large sections of black people out of the city's core. These urban experiments came wrapped in program names that implied rejuvenation and hope but not for a forgotten people. Instead, housing theories such as mobility and spatial deconcentration began take on a less ominous character in the development of urban plans.

In 1968, Bernard Weissbourd wrote a paper entitled *An Urban Strategy* which outlined the moving blacks out of the city through various incentives, dispersing them throughout outlying municipalities until they represented only one fourth of the total population. On cue, other cities across the nation quickly developed similar urban development plans. Waiting in the shadows were a slew of urban planners, consultants and developers eager to satisfy the bidding of the City Fathers.

Chicago had Weissbourd; St. Louis had Team Four, Inc. The Team Four Plan was designed in a shroud of secrecy. Its existence was initially denied and housing activists and civil rights advocates were accused of being conspiracy theorists. Mayor John Poelker refused to make the plan public so HUD was finally forced to cough up the plan under the Freedom of Information Act. When the plan was finally exposed and publicly dissected, it also contained the basic elements of mobility, disinvestment and neglect of the black community.

The stage was set for Team Four in 1973 with the creation of the Land Reutilization Authority by Mayor Alfonzo Cervantes. That same year, Aldermen Richard Gephardt and John Roach passed bills that would preserve 74,000 buildings on the city's South Side and destroy 70,000 on the City's predominantly African-American North Side. Ironically, Roach would be appointed executive director of the newly formed Community Development Agency where he intensified efforts to de-stabilize and destroy the North Side. Gephardt went on to further his political ambitions as the US Representative of the 2nd Congressional District.

Things were really buzzing right about now. Also in 1973, the City of St. Louis began formal plans for its comprehensive plan. In 1974, the Community Development Agency was established to replace the City Plan Commission and Team Four, Inc. was contracted to do a study of the city and make recommendations for the implementation of a comprehensive plan. Their report, Citywide Implementation Strategies: The Draft Comprehensive Plan, was issued on March 31, 1975.

The plan called for the city to be divided into three area types. Conservation identified the area as worthy of continued public and private investment, public services, strict code enforcement and other benefits needed to revitalize it. Redevelopment applied to the areas between progress and decay where limited, but concentrated, investments would be made and outcomes closely monitored. Depletion referred to areas where investment should not be encouraged, where city services would be diminished and codes selectively enforced so as to add to the City's land bank, the Land Reutilization

Authority. LRA is the City's largest landholder (some would say slum landlord) and does less land banking than land holding.

The so-called depleted area covered a land mass bounded by 20th Street, Delmar Boulevard, Natural Bridge Avenue and the western city limits. It was estimated that over 150,000 people lived within those boundaries. Many were first-time homeowners buying from whites fleeing the city because of an increased black population. They had no idea of the insidious plan that lay ahead for their families, their property and their neighborhoods.

The response to the Team Four Plan was swift and visceral. Outrage and condemnation followed.

The Black newspapers criticized the plan. The St. Louis American called it a "secret plan to rip off the poor blacks again…and drop them further in the poverty bag."

Ernest Calloway, assistant professor of urban affairs at St. Louis University, denounced the Team Four Plan as perpetuation of the city's racial segregation of two cities—"the black ghetto and the white sanctuary." Calloway was also a member of the city's Community Development Commission and maintained the plan was a sophisticated version of previous "black containment syndrome."

Organized response to the plan come in the form of at least two groups. One was the Coalition Against Team Four and the other was the Ad Hoc Committee Against Team Four. They included various black elected officials, civic leaders, community organizations and concerned citizens. As the public face of the Team Four Plan, John Roach quickly became the target of the black community's wrath.

What were the damaging effects of the Team Four Plan? They were physical, emotional, psychological, cultural, economic and political.

Redlining, foreclosures, landlord-induced arson for collected insurance claims, eminent domain and a host of other disinvestment tools led to not just single or multi family housing deterioration or abandonment but in some cases, entire city blocks were grim examples of benign neglect. Vital businesses, such as major grocery stores, began to leave as the cost of doing business became too high.

The Ville is one neighborhood which stands out as being particular hard hit by Team Four. Once the celebrated enclave of the black middle class, it also contained Sumner High School and the crown jewel of the entire black community, Homer G. Phillips Hospital. The hospital was world renown as a teaching facility and for its superior medical services. Duplicity between local and federal governments led to the demise of Homer G as it was affectionately called and in the wake of the Team Four depletion strategy, the hospital was closed in 1979. For several years, organized protests and negotiations took place to reopen the hospital but to no avail. It was not fully utilized for many years until it was transformed into a senior citizen residence by black developers William Thomas and his daughter Sharon Robnett in 2003.

City Hospital #1 and other health clinics eventually received the proverbial ax. City Hospital was renovated and turned into high-priced condominiums.

During the initial phase of Team Four, the city's depopulation accelerated and both black and white middle-class citizens took flight. St. Louis reached its peak population in 1950 at 856,796 according to the US Census Bureau. Its population saw its worse decline during 1970-1980 when Team Four was in full throttle. Our current population is half that of 1960. That has perilous implications for federal and state funding as well as redistricting.

Social outlets and recreation centers are rarities for youth or their families. Young people end up in unsupervised, unsafe or unhealthy places in their absences. It has been sufficiently documented that juvenile crime is highest during the after-school hours yet we still have made no provision for our children to have safe fun, educational enrichment and physical exercise.

For residents determined to stay or unable to move, it is a continuous struggle to maintain one's property and one's pride in community. Regularly passing by boarded up buildings, burnt out shells and derelict lots can be demoralizing. It was ripe for the crack cocaine epidemic and the crime wave that hit us in the mid-1907s. Much of the North Side never recovered and the blight continues. Abandoned buildings became drug dens, inferior housing for the homeless and inviting places for all types of crimes. Police response and protection are unpredictable.

Most unfortunate have been the St. Louis Board of Education's closing of schools allegedly due to declining enrollment. When schools close and there's no immediate plan for development, neighborhoods must tolerate these over-sized eye sores standing tall and defiant for a very long time.

Racial segregation and isolation give way to internalized oppression and self-hate. The collective psyche of the African-American community has been negatively impacted and the inability to bring significant changes to our quality of life is disempowering. Although St. Louis has endured the same conditions detailed in the Kerner Report, the black community's anger and frustration never boiled over as it had in other urban cities. But for how long can we grin and bear it?

The vestiges of racism and poverty coupled with the lack of political will and public investment persists in 2008. The Team Four Plan was never stopped in spite of our best efforts; it was only forced to alter its course and timeline once exposed.

The current dismantling of the St. Louis Public Schools is a continuation of the Team Four Plan where our children have been targeted for failure and numbered for residency in the prison industrial complex. Obvious Conservation areas are Downtown, and the Central West End where millions of dollars and TIFs have gone into the design and creation of livable spaces for mainly middle and upper class whites.

I would like to make several recommendations to the Subcommittee on Housing and Community Opportunity in the hopes that it will lead to a fuller discussion about Team Four and that will bring a crippled community off its knees. It is difficult to see our government as an advocate or friend given the kind of blood that has flowed between us.

I recommend the following:

1. That the CDA budget be reviewed to ascertain its proper use of funds and to determine budgetary shifts that will better support the city's development;

2. That funds from CDA be used to fully research the damage of the Team Four Plan on the African-American community and to outline specific remedies;

3. That CDA and its cohort agencies be used as a resource to the black alderpeople, engaging them in workshops on land use and urban planning, helping to identify additional funding for their respective ward planning, etc.;
4. That code violations and the use of eminent domain in the Depletion area be reviewed for fairness and necessity;
5. That the former and current city plans be reviewed to determine if they continue the blatant discriminatory policies and practices of Team Four;
6. That the city engage in a truly comprehensive planning process with its citizens to plan a city that reflects its rich diversity, culture and history;
7. That the city makes periodic reports on the progress of the plan's implementation including a financial report.

Thank you for your time and attention.

Jamala Rogers
Chair,
Organization for Black Struggle

Introducing Information-Led Development to the Field of Community Economic Development

Mr. John Talmage
The Social Compact, Inc.

Testimony before the House Committee on Financial Services
Subcommittee on Housing and Community Opportunity
March 8, 2008

Madam Chair, and other members of the Committee, thank you for the invitation to testify today about how information gaps that misinform investors and government decision-makers, can be bridged to support new investment and inform public policy decisions that result in stronger, healthier neighborhoods in which to live and do business.

I wish to make three points.

1. The community development field is increasingly looking toward asset-based initiatives in response to local economic challenges and opportunities and therefore needs accurate information to support these new approaches.

2. Social Compact's Neighborhood Market DrillDown is supporting forward-looking investors, public officials and community leaders by using alternative data sources to challenge incomplete counts by the U.S. Census Bureau and to inform and catalyze public and private investment.

3. A new paradigm is emerging in community economic development called "information-led development".

Community Development: Moving Towards Asset-Based Approaches

Private investment plays a more important role now more than ever before in revitalizing underserved, urban communities. Rather than underserved, these communities would be better designated as undervalued, because there are markets there whose value simply has not yet been realized by private investment. This point lies at the heart of a shift that has occurred in community economic development over the past decade.

The field of economic development has moved from a deficit understanding of cities and neighborhoods to an asset-based approach to markets. This was a necessary transition because economic development practitioners could not convince private investment decision makers to put their money into some communities because of the poverty rate, or the recidivism that occurs there. In the past, low-income urban neighborhoods were often perceived through a lens of misinformation, reinforced by the poverty and deficiency data traditionally used to attract government subsidies and federal funds for social service programs. While these depictions attest to social need, they do little to highlight neighborhood strengths and economic opportunity, begging the question: How many individuals or communities have been able to build sustainable wealth through qualifying for federal subsidies? The prevalent focus on neighborhood deficiencies rather than market strengths and opportunities was compounded by an absence of effective inner-city market analysis models. Today, many in the field have come to believe – and have demonstrated – that if you highlight neighborhood assets, the market potential and purchasing power of a community, then you can catalyze and organize new investment.

Accurate Information can Change the Lens on Undervalued Communities

In many cases, investors have found themselves contributing to community development values such as individual and community wealth building, job creation and small business development. In order to achieve these conditions, community and economic development practitioners must first quantify and demonstrate investment opportunity. This is not merely a sentimental notion of "boy, it'd be great to have a store here," but rather, quantifying where an opportunity exists to make a return on investment. The challenge is to sift through the available information to develop a firm knowledge about the market potential of communities that require, and can support, private investment because they are stronger and more stable than generally understood.

There is a tremendous amount of historical and contemporary data at our disposal today. Yet there remains a lack of good information that can be used to address the wide range of challenges urban development practitioners are facing. Accurate information is particularly crucial when making both public and private investment decisions. Below is a brief example of where good information can make a difference.

Table 1.

Community A		Community B	
Population	107,000	Population	122,000
Avg HH Inc	$51,000	Avg HH Inc	$62,000
		Avg HH Inc (HMDA)	$120,000
Neighborhood Income	$2.5 Billion	Neighborhood Income	$3.6 Billion
		Informal Economy	$248 Million
Homeownership (Unit)	36%	Homeownership (Bldg)	73%
Median Home Value	$149,000	Median Home Sale Price	$378,000
Media excessively highlights violent crime in the area		Experienced significant decline in reported incidents of property and violent crime in recent years	
Source: U.S. Census Bureau, 2000		*Source: Washington, DC DrillDown, 2007*	

Table 1 depicts two community profiles. Developers, community developers, and investors inevitably have to choose between two sites. Community A has a smaller population by about 15,000 people. Community B's average household income is 24% higher, and the average income of new home buyers in the area is $120,000, more than double the Community A average. Community A is victimized by the way the media portrays incidents of crime in the neighborhood, while Community B sorted through community crime statistics to demonstrate trends of decline in property and violent crimes. The problem is that we have to make a decision between Community A and Community B, and when put into that position, we will always choose Community B.

In fact, Community A and Community B are one and the same. They are both composites of eight neighborhoods in Washington, DC that, if portrayed solely by census data and the media, are seen exclusively through the lens of Community A. Portrayed through a combination of alternative data sets that might include tax assessment records, credit bureau records, building permits, utility usage data and actual crime statistics, these same neighborhoods appear very differently through the lens of Community B. This profile suggests a possible population undercount and neighborhood income that has not been captured by traditional market analytics, while providing indicators of stability that can help the city and community identify sites for potential investment.

Census Undercounts Contribute to Undervaluing of Neighborhoods

The census is the best demographic database we have in the United States, but faces significant challenges with respect to underserved, urban America. It has widely been acknowledged over the past several years, that the U.S. Census Bureau undercounts poor and minority neighborhoods at a higher rate than their wealthier counterparts. Census and census-generated analytics are the information sets most commonly used by local government, investment and policy decision-makers, and therefore strongly influence urban development strategies and economic activity, public policy decisions and funding, social service provision, and political representation at different levels of government.

In 2006 alone, the U.S. Census Bureau accepted 38 challenges to its 2005 population estimates.[1] Washington, DC's 2006 challenge resulted in a 31,000-person boost to the Census Bureau's 2005 population estimates for the District.[2] Cincinnati, OH challenged the census as well, and was awarded 22,000 people back to its population estimate the same year.[3] More recently, the City of Detroit saw a 47,000 person population bump to its 2006 estimate following a recent census challenge.[4] For cities like Cincinnati, Detroit, and many others, the results of a successful census challenge are not just a matter of more accurate counts, but are also about shifting current misperceptions away from perceived market downturns toward potential for growth and business investment.

In a 1999 study of 34 cities across the country, the U.S. Conference of Mayors estimated that for every person missed by the census, cities lost $1,200 in federal and state funding per person per year; they estimated the future loss for these cities, assuming the same rate of undercount for the 2000 census, at $2,200 a year.[5] PriceWaterhouseCoopers released a 2000 report commissioned by the U.S. Census Monitoring Board that placed the estimate even higher: 169 metropolitan areas in the nation's 58 largest counties would lose roughly $3,300

[1] El Nasser, Haya. (2006). Further into decade, more challenge Census estimates. *USA Today.*

[2] Montgomery, Lori and Silverman, Elissa. (2006). Population Revision 'Big Deal' for D.C. The *Washington Post*

[3] Klepal, Dan and Korte, Gregory. (2006). City shrinking? Not really. *Cincinnati Enquirer.*

[4] Josar, David. (2007). Detroit gets census boost. *The Detroit News.*

[5] U.S. Conference of Mayors. (1999). Fiscal Impact of the Census Undercount on cities: A 34-City Survey.

per undercounted person.[6] These estimates demonstrate how misinformation can become a capital barrier.

Despite varying reports on the number or proportion of the population undercounted in low-income urban areas, the fact is that the undercount contributes to the continued undervaluing of the economic potential of urban communities, many of them undervalued, and compounds the misunderstandings surrounding these neighborhoods and their viability as sites for future investment and revitalization. Retailers, financial institutions and other investors may not see the positive market forces at work in many inner-city neighborhoods, making it difficult to attract national, regional, and even local retail and services to these communities. As a result, neighborhood residents are underserved by retail and services and their neighborhoods are continuously overlooked as areas for potential investment.

Neighborhood Market DrillDown: Market Information, Informing Investment

How can we make important investment decisions without accurate information? The private sector, cities and others have spent enormous amounts of money developing models that can project risk and capital evaluation of new developments. But what is often forgotten is the actual reason we invest in these tools: the importance of using data to *inform* people. It is the informing of the people, not solely the results of models, that becomes important. Born out of a rigorous effort to build an alternative to the negative perceptions of low and moderate income urban communities, Social Compact's Neighborhood Market DrillDown analyzes data to develop indicators that can inform communities, cities, retailers, banks and other investors with a more accurate picture of a neighborhood.

To date, Social Compact has conducted its Neighborhood Market DrillDown analysis in eleven cities and over 200 neighborhoods. Cumulatively, we have found 850,000 more people than documented by the 2000 census and over $20 billion in unrecognized economic income. That's a market. That's a market that's important for the Comptroller of the Currency, a market that's important for the Federal Reserve System, that's a market that we need to know how to map out so we may approach those communities understanding the kinds of investments that they would like for us to make and that would meet the needs of neighborhood residents.

Social Compact's intention is to integrate diverse national and local datasets to produce information that will enable communities to make decisions for themselves and participate in the decision making process with outside investors. Social Compact aims to assist local leadership to validate what is often their own intuitive understanding of their own neighborhoods and, in turn, to market this information to the appropriate retailers, developers, banks and others. Social Compact's intention is to help cities find better ways to produce information to guide the appropriate pricing of public incentives. Social Compact converts alternative data sources into information that is sensitized, tailored and useful to a community of users, and useful to a community of investors, so that they may make better investment and public policy decisions. What do you need to know about a market to make an appropriate, informed public or private investment in that identified undervalued, urban

[6] PriceWaterhouseCoopers. (2000).Effect of Census 2000 Undercount on Federal Funding to States and Local Areas, 2002-2012. *Executive Summary.*

community, is a question that will continually evolve. This is what a group of forward-looking development practitioners mean by "information led development."

Following are three brief case examples of how alternative market data can be used by cities and communities to inform comprehensive economic development.

CASE EXAMPLE: DETROIT

Social Compact is working with the City of Detroit's lead business attraction agency, the Detroit Economic Growth Corporation (DEGC), to implement information-led retail attraction and retention strategies in Detroit's communities and commercial corridors. The 2007 DrillDown analysis provided economic indicators of market size, strength and stability for the entire city of Detroit and individual profiles of 54 neighborhoods defined by the 2004 Master Plan, developed to recognize established community boundaries and service areas of various community organizations in Detroit. The published DrillDown report provided highlights from the analysis, depicting neighborhoods with evidence of significant market potential.

Key findings from the Detroit DrillDown included:

- Detroit's current population is estimated at 933,043 – 62,000 more people than the recent 2006 Census estimates.
- Detroit neighborhoods are higher density markets when compared to the Detroit–Warren–Livonia Metropolitan Statistical Area (MSA) as a whole. Population density in the city is six times higher than the MSA.
- The city's average household income is 17% higher than the Census 2000 estimate
- Aggregate income in the city, at $15.8 billion, is $2 billion more than Census 2000 estimates
- Detroit residents spend over $1.7 billion – more than $1 out of every $3 spent – on retail purchases beyond City limits; $291 million is spent on apparel alone.
- Unmet demand for full service grocers in Detroit could support 500,000 square foot of retail space.
- Aggregate income in the Central Business District is estimated at 75% above Census 2000 reported income
- Income density in Indian Village, one of Detroit's central city neighborhoods, is more than twice the city average; at $444,000 per acre, comparing favorably with surrounding areas such as Birmingham ($425K/acre) and Grosse Point ($442K/acre).
- Income density is above $300K/acre in Rosedale, Denby and Lower East Central.

DEGC is currently working to reposition its retail attraction efforts to focus on strategic neighborhoods, including those in Greater Downtown, and demonstrating existing market strengths in order to encourage high quality retail development in Detroit. The DrillDown market study represents the beginning of a multi-year program designed to equip Detroit with information that illuminates the nature of the market potential and opportunity that exists in the City's neighborhoods. As a new information source with which to attract investment to the city, Social Compact's DrillDown helps ensure that these retail investment efforts will appropriately capture market opportunities where conventional analytic tools may have undervalued the strengths of Detroit's neighborhoods. As the program unfolds, the information available to investors will improve, becoming richer and more nuanced.

One of the most interesting things the DrillDown analysis revealed in Detroit was the lack of grocery providers in the City; not a single national or regional grocer can be found within city limits, home to almost one million people. This is not just a matter of convenience, not just a matter of it would be nice to have a place closer to buy my milk, it exemplifies a public policy imperative. Recent studies of Chicago and Detroit have shown correlations between rates of obesity and diabetes and the saturation of fast food restaurants and lack of access to full service grocers.[7,8] Findings like these make it apparent that a significant proportion of the population in Detroit has been condemned to poor public heath outcomes. There exists a public policy imperative to address this problem.

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[7] Gallagher, M. (2006). Examining the Impact of Food Deserts on Public Health in Chicago. copyright 2007 Mari Gallagher Research & Consulting Group.
[8] Gallagher, M. (2007). Examining the Impact of Food Deserts on Public Health in Detroit. copyright 2007 Mari Gallagher Research & Consulting Group.

The City of Detroit closed out 2007 by forming a task force designed to do that very thing. Comprised of over 40 members representing local government and the business community, the Detroit Fresh Food Access Initiative is charged with providing policy recommendations to improve Detroit's grocery market. Aside from confirming what many in Detroit's business community already intuitively knew, following the departure of the city's last large chain grocer (Farmer Jack), Social Compact's DrillDown revealed that there is significant market demand for such retail. Social Compact is now working with the task force to identify sites where the city may target its grocery attraction strategies. In addition, DrillDown data is being integrated into the Mayor's NEXT Detroit initiative, aimed at deploying a series of revitalization initiatives across strategic Detroit neighborhoods.

CASE EXAMPLE: MIAMI

With support from the John S. and James L. Knight Foundation, Washington Mutual, Citi Foundation, and First American CoreLogic, Social Compact applied its DrillDown analysis to five neighborhoods in the City of Miami. Working closely with Mayor Manuel Diaz, City Commissioner Michelle Spence Jones, local colleges and universities and other community stakeholders, the Miami DrillDown focused on identifying areas that are significantly underserved in retail, particularly with regard to grocery stores and financial services. The 2007 Miami DrillDown report provided market profiles of five neighborhoods in the northern section of the city: Allapatah; Little Haiti; Liberty City; Overtown; and Wynwood—Edgewater.

In addition to the DrillDown market analysis, Social Compact collaborated with a coalition of research organizations to implement a survey to understand the living conditions and needs of residents in four of the five DrillDown neighborhoods: Liberty City, Little Haiti, Overtown, and Wynwood-Edgewater. The project contacted approximately 2,000 inhabitants regarding 6 broad categories: education, housing, senior citizen issues, business and commerce, single mothers' concerns, and quality of life. Survey results complemented the 2007 DrillDown findings by providing further insight regarding consumer practices and financial behavior.

Key findings from the Miami DrillDown included:

- A total study area population of 171,400 – 51,000 more residents than Census 2000 (42%) and 48,200 more than 2006 census trend projection (39%).
- $1.7 billion in aggregate buying power, exceeding census trend projections by $600 million (52%)
- An informal economy worth more than $184 million, comprising over 11% of the total study area economy.
- An average household income of $36,600 – $8,300 higher than 2006 census trend projections, at $28,300 (29%)
- A median home sale value of $177,000, 42% higher than recent census trend projections.
- A significant proportion (40%) of study area residents are without a documented credit history. These findings are supported by survey results from four of the five study area neighborhoods in which over 70% of individuals surveyed in each

neighborhood demonstrated a perceived need for banking services in their communities

- The DrillDown documented the greatest number of nontraditional financial institutions (pawnshops, payday lenders and check cashers) in Wynwood/Edgewater; also where 87% of surveyed individuals reported making bill payments in cash, money orders and/or cashier's checks.

One of the more interesting findings from the Miami DrillDown is the number of neighborhood residents currently without a credit history or traditional banking relationship. In many cities, living without a credit record can impact how much one pays for a utility deposit, automobile insurance rates, and the ability to rent an apartment or procure employment. This means there is a potential poverty tax applied to these families who do not have credit records, who are "thin file" families because they are not accessing traditional financial services and are living in the margins of the financial mainstream.

Miami DrillDown data is being used to inform a number of different initiatives throughout the city, from neighborhood awareness and community development to small business development. The City Commissioner relied on 2007 DrillDown data to demonstrate need for five new projects, one in each DrillDown neighborhood, dedicated to the development and enhancement of commercial corridors, business attraction, sidewalk improvement, and redevelopment of vacant lots, which she plans to implement during her time in office. DrillDown data will also be integrated into a local campaign to portray a series of indicators for neighborhoods throughout Miami-Dade County. The Miami Herald has also seized an opportunity, through the release of the 2007 DrillDown report, to generate positive attention and media coverage for the five study area neighborhoods.

Mayor Diaz and the City of Miami's Economic Development Department are also using the data aggressively to bring necessary services to the most underserved areas. For example, the City has currently entered into negotiations with two major grocers, and plans to work in collaboration with the Human Services Coalition, Washington Mutual, and the Local Initiatives Support Corporation (LISC) to develop a comprehensive small business development pilot study. Finally, DrillDown data will be used by a local developer to inform a mix-use, mixed-income development project two of the DrillDown neighborhoods and surrounding areas.

CASE EXAMPLE: WASHINGTON, DC

With support from the Citi Foundation and First American CoreLogic and working in collaboration with the District of Columbia Office of Planning, the Office of the Chief Technology Officer, the Office of the Deputy Mayor of Economic Development, and the Washington, DC Economic Partnership, Social Compact returned to the District in 2007 to apply its DrillDown analysis citywide.

The DrillDown analysis identified neighborhoods where the data suggested a significant undercount of population and income: Shaw/Howard University; Shaw/Logan Circle; Chinatown/Mt. Vernon; Greater Union Station; Southwest/Waterfront; Near Southeast/Navy Yard; Anacostia/Fairlawn; and Anacostia/Fairfax.

Key findings from the Washington, DC DrillDown include:

- The 2007 DrillDown estimates the District population at 603,000; 31,000 people more than reported in the 2000 census.
- Population density in District neighborhoods, 15.4 persons per acre, compares favorably with the greater Washington metro area where density is estimated at 1.4 persons per acre. Shaw/Logan Circle is estimated to have the highest population density of over 50 persons per acre.
- Unrecognized income is estimated to contribute an additional $1 billion to the District's total economy.
- The DrillDown estimates over $1 billion is spent outside the District on retail purchases, signaling sizable unmet retail demand in many District neighborhoods.
- Furthermore, the DrillDown estimates in excess of $176 million in grocery leakage, meaning residents spend millions of dollars outside the District on grocery purchases alone.

In addition to the citywide DrillDown analysis, Social Compact worked with the District Office of Planning and the Washington DC Economic Partnership to conduct an in-depth consumer expenditure survey in four underserved neighborhoods (Benning Road/Minnesota Avenue, Adams Morgan, Petworth and Pennsylvania Avenue/Southeast). Led by Social Compact and with support from American University students, the project aimed to contact approximately 1,800 residents. Insufficient resources, time constraints and residents' unwillingness to participate in the survey limited the number of responses. In spite of said limitations, the in-depth nature of the survey questionnaire revealed trends that provided a general sense of consumer patterns in the areas under investigation.

Social Compact is currently working with the Office of Planning and the city's retail attraction team to provide alternative market data for sites throughout the city targeted for retail development and other economic development initiatives. The citywide analysis allows Social Compact to aggregate its neighborhood indicators to provide profiles for targeted sites and corridors anywhere in the District.

Information-Led Development

People often wonder – why did the grocery store fail? Or why did the bank close? Every time a store fails in the urban core, the excuse that immediately follows is because the market could not support it. This is too simple an answer to be acceptable. Stores fail for a whole host of reasons. They fail because of operational challenges; they fail because of management lapses and land use changes. There has been a complete lack of investigation into how we as a nation understand urban markets, how we value these markets and how we invest in these markets. We, as economic development practitioners, need to study how local markets and individual actors operate and continue to expand our work in investigating and developing new tools to help us address these challenges. If we wait for the next large, federal program to come along to support and build upon the assets we're finding in these urban markets, we're going to have to wait a very long time.

If we learn that there's a public policy imperative and a private sector opportunity for the data gathering, organization and dissemination processes to be improved, then that is an issue of value. If we learn there's a public policy imperative and a private sector opportunity to have that data transformed into information that becomes a foundation for decision making, this will culminate in a "data to information to knowledge" process that will enable communities, cities and private investors to construct an investment climate in America's undervalued urban communities that will not only support a return on that new investment, but will also create new jobs, stabilize communities, and build wealth. This is another way to look at community development – a better and more informed way; a movement built on accurate information and grounded in knowledge.

The aforementioned case examples demonstrate how information led development can provide a public policy framework for the business investment climate. Whether it be access to fresh foods or bringing marginalized communities into the financial mainstream, forming policy interventions and investment decisions based on accurate information can result in targeted development initiatives that better meet the needs of current and future residents.

Let's make the phrase "return to the city" or "the comeback city" mean more than just the opportunity to build new for a new population. Let's let it mean that there's an investment climate for new residents and new businesses as well as the foundation of an existing market for goods and services to support the current residents. Let's let it mean investment in the human capital of those who, for whatever reason, whether it's by choice or lack of choice, have stayed in their communities, sent their kids to the local schools, attended the local house of prayer and weathered the storm.

If we, as community and economic development practitioners, don't build the bridges to help improve a local grocery notorious for selling outdated produce and meat; if we don't help build new assets for low income communities; if we don't attract investment to redevelop a blighted shopping center; if we don't connect CDCs, faith-based institutions and other community-based organizations in cross-sector partnerships; if we don't match residents' aspirations and visions for their communities to the opportunities we in the field are envisioning, we will see only more of the same churning we have seen in most of our cities in the past ten years; defined by the worst aspects of gentrification. Let us instead bring new energy and new investment into our nation's urban communities to build on and support what is already there.

Information led development is a movement to build a larger and more diverse community that uses density as its rationale and urbanity as its palette. A movement comprised of those who believe in using accurate information to guide public policy and private investment. If we, as a field, do that together, we will be catalytic agents in all of our communities, for all of our residents.

The Use of Federal Housing and Economic Development Funds in St. Louis: From Team 4 Into the Future

Tom Zuniga,
Managing Director
DSG Community Marketing Services LLC
Key Biscayne, Florida

Written Testimony before the House Committee on Financial Services Subcommittee on Housing and Community Opportunity

March 8, 2008
St. Louis, Missouri

Madam Chair and distinguished members of the Subcommittee on Housing and Community Opportunity, thank you for the invitation to offer testimony about innovative strategies and programs that are needed to bring about important changes in community development. I would like at the outset to acknowledge the leadership in Community Economic Development of this Subcommittee's Chairperson, Congresswoman Maxine Waters—and her commitment to improving the well-being of low-income and minority communities.

In my remarks today, I hope to encourage local communities to adopt economic development policies that engage in public-private partnerships that rely on market information to drive investment in low and moderate income communities. In that regard, I hope to identify strategies and approaches that seek to rectify the mistakes and programs of the past.

I am grateful for the relationship with John Talmage and the staff of Social Compact who have provided us new possibilities through information for understanding the incredible market potential and untapped purchasing power of inner city residents. Social Compact has truly been a catalyst in infusing new energy and significant investment to communities. As a former resident of Washington, DC, I am very familiar with what has been accomplished in the Columbia Heights neighborhood of Washington.

Let me also acknowledge that some of the past practices, some of the legislative and regulatory actions that precede us, that may appear wrongheaded were not "willful mistakes". Many of our predecessors in community development were "problem solvers" in search of solutions and answers to problems in much the same way we are doing today. The older I get, the more willing I am to acknowledge that economic development is more art than science and that smart, well-meaning people in search of answers arrived at solutions that may have solved some immediate short term problem but resulted in unintended consequences in the long term. The value of a forum like this is that it enables us to think about what's gone before us and to reflect on what has worked, what has not worked and why.

The Good Old Days of Slum and Blight

In the past, we placed much emphasis on physical development. We remember "slum clearance", "urban renewal", "model cities"---solutions aimed at reversing declines in urban neighborhoods. The solution to the problem of blight was to remove it. We adopted "community redevelopment strategies" that relied on a top down, massive infusion of federal dollars. The unintended consequence—although some would argue otherwise—was the displacement of families as their homes were destroyed to make way for commercial redevelopment. In trying to signal community renewal, most of these commercial revitalization efforts were not enough to create the new vibrant neighborhoods that their creators envisioned, nor did they stem the flight of businesses and families from the inner city—

Community Building as the New Strategy

The new paradigm shift in community development suggests that real revitalization is driven from bottom up—by local government working with the private developers, involving residents, and nonprofits, local entrepreneurs in the revitalization process. We have examples of investors supporting local entrepreneurs and providing private equity to inner city businesses. We have non profit organizations and community development financial institutions (CDFIs) helping to incubate new businesses by providing technical assistance and small business loans to low income and minority entrepreneurs. Equally notable are local efforts to ensure that residents benefit from these investments. We have models of "Community Benefits Agreements" for how local government, private developers and community organizations can work together to promote equitable development---to ensure that new housing units in a redevelopment area will be affordable to low income households, that workforce housing will be made available, that the jobs within any new establishments will pay a living wage; that preferential hiring will be provided to local and displaced residents.

The financing of community development has changed over the last 30 years. Where early efforts at urban renewal were funded by centralized federal grants, today's successful community development projects are more likely to be financed by a combination of public and private dollars. Instead of providing funds directly to a neighborhood, we have created tax incentives—like the New Markets Tax Credit Program—that encourage private investment by offsetting risk through tax incentives. The change in how deals are financed reflects a paradigm shift in the federal government's role in community development. Community development finance has become extremely innovative in the way it secures both equity and debt financing. It has brought a much broader range of investors, lenders and players to the table. It is not unusual today to have government investing in partnership with banks, pension funds, venture capital funds—all now looking at ways to develop the assets that are present but underutilized in low income neighborhoods.

Another significant change in community development is a new emphasis on "opportunity". Our language is changing from "distressed communities" to "underserved neighborhoods" to "communities of opportunity". Language is an important signal of change. Community development strategies are evolving to focus on community assets rather than on community needs. In other words, instead of describing a neighborhood by its problems, we've begun to emphasize the hidden assets, the market potential, the historic architecture, etc. In a speech last year, Fed Chairman Ben Bernanke said: "...quantifying these assets and helping investors become aware of the opportunities in underserved neighborhoods can help to enlist market forces in the service of community development..."

Growing Indigenous Community Leadership

The shift to "development by the numbers" requires a concurrent change in the attitudes of indigenous community leaders who in the absence of market information have depended for a long time on ideology and a "government grant-driven" focus which emphasizes neighborhood deficiencies and weaknesses rather than assets and market opportunities as a way to attract capital for their various projects.

A culture of poverty has become associated with people of color—particularly, African-Americans. Inner city residents are not only surrounded by crime, drugs, homelessness and poverty; they are blamed for it. Residents have come to believe that unless an initiative comes with a "low income" tag—it is not intended for their community betterment.

There is also an underlying assumption that residents of underserved neighborhoods are unwilling to or do not ---even if given the chance-- want to —participate in the rebuilding and revitalization of their communities. During a recent consulting assignment—I had arranged for a supermarket to locate in an inner city neighborhood—I described how our consulting team had assembled the capital to build the supermarket—all outside capital of course. Thankfully, I was reprimanded by a long time resident of the area that I had not presented residents of the community a chance to invest in the supermarket, which without a doubt promised to be a catalyst for further revitalization. We need to challenge ourselves to create investment vehicles that enable investment by residents---stakeholders who may have only $100 or $1,000 of their savings to invest but would like to be and need to be a part of the community development fabric as investors.

There is a danger even as we quantify opportunity that indigenous leadership will not be able to interpret and use the data generated by Social Compact to formulate effective community revitalization strategies to include investment opportunities for area residents. These are the challenges to be addressed.

Central to the paradigm shifts in community development is a changed role for the community developer—a changed role for indigenous leadership. The traditional way of "doing" community development was to focus on mobilizing local resources to address community needs, with a community developer bringing the technical skills needed to execute the plans. He or she formed "grassroots organizations" mediated community conflicts, built infrastructure, attracted firms into the community and wrote grants to fund services.

The new role of the "catalytic community developer" in contrast, requires many individuals to work together in coalition. The role of the community developer is not to do the work or control the system but to help all participants take part in the process. Like a chemical catalyst that stimulates reaction without itself being consumed, the community developer or leader must focus more on organizing the involvement and direction of community members and less on being the person who does the actual tasks.

Leaders still need knowledge and organizational skills but they must act within a much broader network of individuals and resources. To be effective, community capacity building requires participation by a more diverse set of residents. Mere attendance at meetings is not enough; giving citizens an authentic voice in the decision making and the means to achieve goals is imperative. It also requires "collaboration"—among local organizations that moves beyond merely communicating about activities and interests to forming networks and cooperative relationships. It involves the conscious attempt to create links between actions and actors with different interests.

What can be done to support the changes in community development and to support the development of effective indigenous leadership?

- **Create partnerships with academic institutions to facilitate access to information, leadership education and the creation of leadership networks.** Encourage Universities to support and certify Community Development through their Continuing Ed programs
    - Design and teach community real estate development process so that community leaders are comfortable with partnering with developers on catalytic projects—whether affordable housing, workforce housing or neighborhood commercial developments
    - Support the professionalization of community development through coherent training offerings

- **Create new community investment vehicles and models**
    - Support research to identify investment vehicles that will enable community residents to benefit by pooling their dollars for investment in catalytic projects aimed at revitalizing their communities. Currently, the only available vehicle is the Community Development Credit Union—which requires onerous front end planning to effect investment.

- **Expand the role of Community Development Financial Institutions to create a capital system for social entrepreneurs**
    - Need to shift our focus from short term grants for specific projects to "earned income" driven activities that enable local entrepreneurship. Such a shift will lead to sustainable community investment. Sustainability is best achieved when it is community-based and community driven, based

on market information, based on community knowledge and skills and a realistic, collaborative process of assessment and planning.

- **Eliminate categorical funding**
    - Development activities must be comprehensive, not categorical. Much of our spending is focused on one category, for example, housing. Needs are interrelated and this reality must be acknowledged. Comprehensive community development might involve coalitions assembling flexible categorical programs within one collaborative structure so that the service provided is seamless.
    Silos of funding dilute funds rather than effectively leveraging other assets to produce the desired results

In closing, I want to thank the Subcommittee for inviting me to offer testimony about strategies and programs to strengthen community building through collaboration, leadership, and public-private investment.

Thank you.

Reducing the High Costs of Being Poor

Matt Fellowes
The Brookings Institution

Testimony before the House Committee on Financial Services
Subcommittee on Housing and Community Opportunity
March 8, 2008

Madam Chair, and other members of the Committee, thank you for the invitation to testify today about the higher prices that lower-income individuals often pay for necessities and the private- and public-sector responses needed to bring down those higher costs of living. Price premiums tacked onto goods and services pose a serious obstacle for lower-income workers that are trying to convert scarce dollars into economic mobility. Fortunately, steps that a select group of states, cities, and private-sector partners have taken in recent years provide a roadmap for a new federal agenda that will lower these costs of living for households across the country.

I want to make three points.

First, moderate- and low-income households often pay higher prices for basic necessities, from basic financial services to cars to mortgages.

Second, these higher prices curb the ability of moderate- and low-income households to convert their wages into economic mobility and erode the efficacy of federal work-support subsidies, including the $42 billion Earned Income Tax Credit.

Third, federal policymakers can lower these higher prices by a) reducing the real higher costs of doing business with low-income consumers, b) curbing market practices that unnecessarily drive up prices, and c) boosting the ability of consumers to find the lowest possible price in a market for a good or service.

1. Evidence of the High Cost of Being Poor

Community leaders and economists have both recognized for decades that the poor often pay more for basic necessities.[1] But, until recently, there had not been any serious attempt to quantify the full range of these higher prices or their market causes, which stunted the development of a federal policy agenda designed to bring down these prices.

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[1] David Caplovitz. 1963. *The Poor Pay More: Consumer Practices of Low-Income Families*. New York: Free Press; Burton H. Marcus. 1969. "Similarity of Ghetto and Nonghetto Food Costs." *Journal of Marketing Research* 365.

In response, the Annie E. Casey Foundation asked the Brookings Institution in 2004 to measure these high costs of being poor and develop private- and public-sector policies needed to bring down these prices.[2] With their principle support, we have now completed a national assessment of these higher prices, as well as state and local assessments.[3] Together, this evidence indicates that moderate- and low-income households often pay higher prices for goods and services that collectively add up to hundreds, sometimes thousands, of dollars in extra costs of living for individual households, depending on the mix of goods and services that they purchase. We summarize a sample of this evidence below.

- *Cashing Checks:* Whereas most middle- and higher-income households use low- or no-cost bank accounts to deposit their checks, lower-income households are much more likely to use non-bank businesses that charge fees. In particular, about $1.5 billion in fees were paid in 2007 to cash checks at one of 26,019 non-bank check-cashing establishments, which charge a national average of 4.64 percent of the face value of each payroll check for a service most banks reportedly do not charge account holders for. The estimated 10 million households that lack a basic transaction account (e.g., checking account, savings account, money market, or call account) at a bank represent the core customer base for these businesses. Of these households, the median income in 2004 was about $17,000, over 50 percent included at least one full-time worker, and about half had never owned an account.[4]

- *Short-term Loans:* Whereas most middle- and higher-income households use credit cards for short-term cash advances, moderate- and low-income households are much more likely to use expensive, non-bank payday lending businesses. In particular, about $6.5 billion in fees were paid in 2007 at one of 22,894 non-bank payday lending establishments, which charge a national average APR of 390 percent in the 38 states that allow these businesses, compared to a reported national credit card cash-advance APR average of 21 percent. Available data suggest that households earning less than $50,000 represent the majority of customers.[5]

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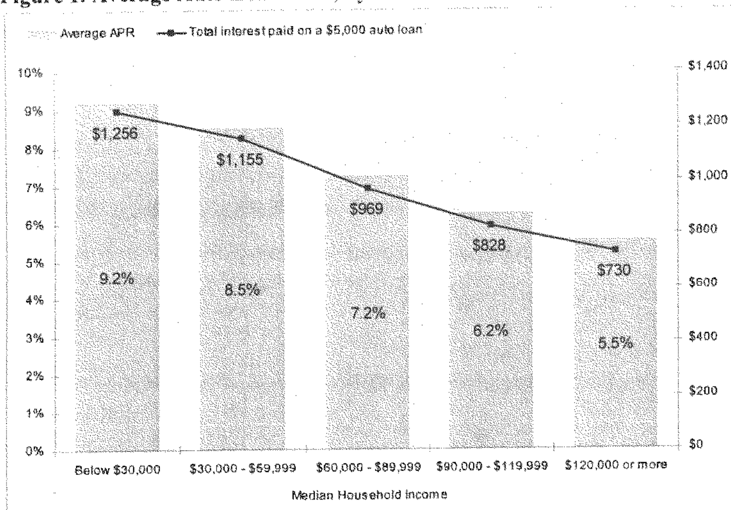
[2] Founded in 1948, The Annie E. Casey Foundation makes grants that help states, cities, and neighborhoods fashion more innovative, cost-effective responses to meet the needs of vulnerable children and families. More information is available on their webpage, www.aecf.org.

[3] Two recent reports include: Matt Fellowes. 2006. *From Poverty, Opportunity: Putting the Market to Work for Working Families*. Washington, DC: The Brookings Institution; and Matt Fellowes, Mia Mabanta, Terry Brooks, and Valerie Salley. 2007. *The High Price of Being Poor in Kentucky*. Washington, DC: The Brookings Institution.

[4] Matt Fellowes and Mia Mabanta. 2008. "Banking on Wealth: America's New Basic Retail Banking Infrastructure and Its Wealth-Building Potential." Washington, DC: The Brookings Institution; Bankrate.com.

[5] Fellowes and Mabanta 2008; Bankrate.com.

Figure 1. Average Auto Loan APR, by Household Income



Source: Brookings analysis of the Federal Reserve's 2004 Survey of Consumer Finances

- *Car Loans:* Whereas most middle- and higher-income households pay a prime rate for car loans, moderate- and lower-income households are much more likely to pay subprime rates. In particular, households earning less than $30,000 a year in 2004 paid an average APR of 9.2 percent for their loan, while households that earned more than $60,000 paid an average APR of around 6.5 percent.[6]

- *Car Insurance:* Scholars found that drivers from low-income neighborhoods pay anywhere from $50 to over $1,000 more than drivers from high-income neighborhoods to insure the exact same car and driver, across a sample of 12 metropolitan areas taken in 2004 that collectively included 23 percent of the U.S. population.[7]

- *Mortgages:* Whereas most middle- and higher-income households pay a prime rate for mortgages, moderate- and lower-income households are much more likely to pay subprime rates. In particular, households earning less than $30,000 a year in 2004 paid an average APR of 6.9 percent for their loan, while households that earned more than $60,000 paid an average APR of around 5.8 percent.[8]

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[6] Fellowes 2006.
[7] ibid.
[8] ibid.

Figure 2. Distribution of Mortgage APRs, by Household Income

Distribution of Mortgage APRs, by Household Income

	Typical APR on First Mortgage, by Income Group		
Household Income	25th Percentile	Mean	75th Percentile
Below $30,000	5.4%	6.9%	7.8%
$30,000 - $59,999	5.5%	6.5%	7.0%
$60,000 - $89,999	5.3%	6.0%	6.5%
$90,000 - $119,999	5.1%	5.9%	6.3%
$120,000 or more	4.9%	5.5%	6.0%
Total	5.3%	6.2%	6.8%

	Typical APR on Second Mortgage, by Income Group		
Household Income	25th Percentile	Mean	75th Percentile
Below $30,000	7.0%	9.8%	10.0%
$30,000 - $59,999	5.8%	7.9%	10.0%
$60,000 - $89,999	4.5%	7.1%	8.5%
$90,000 - $119,999	4.5%	6.4%	8.0%
$120,000 or more	4.5%	6.0%	6.5%
Total	4.8%	7.2%	8.8%

Source: Brookings analysis of the Federal Reserve's 2004 Survey of Consumer Finances

- *Furniture and Appliances:* Whereas most middle- and higher-income households pay for furniture and appliances with credit cards or cash, lower-income households are much more likely to use rent-to-own establishments, which research has found can add several hundred dollars onto the costs of basic household items like televisions and refrigerators. Nearly 60 percent of the customers of these businesses earn less than $25,000 a year.[9]

- *Grocery Prices:* Whereas middle- and higher-income neighborhoods tend to include mid-to-large grocery stores greater than 10,000 square feet in size, lower-income neighborhoods tend to have small grocery stores that charge comparably higher prices. In particular, the average grocery store in a neighborhood with a median income less than $30,000 is 2.5 times smaller than the average grocery store in a neighborhood with a median income greater than $60,000, across a sample of 12 metropolitan areas.[10]

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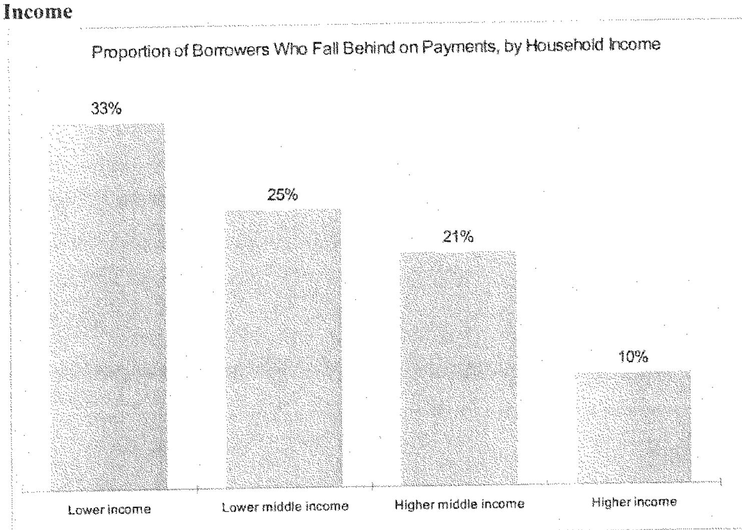
[9] James M. Lacko, Signe-Mary McKernan and Monoj Hastak. 2000. "Survey of Rent-to-Own Customers." Federal Trade Commission, Bureau of Economics Staff; State of Maryland, Office of the Attorney General, www.oag.state.md.us/consumer/edge109.htm; State of Wisconsin, Department of Financial Institutions, www.wdfi.org/wca/consumer_credit/credit_guides/rent-to-own.htm.

[10] Fellowes 2006. Of 132 different grocery products assessed, 64 percent were more expensive in stores smaller than 10,000 feet compared to larger stores.

Figure 3. Proportion of Borrowers Who Fall Behind on Payments, by Household Income



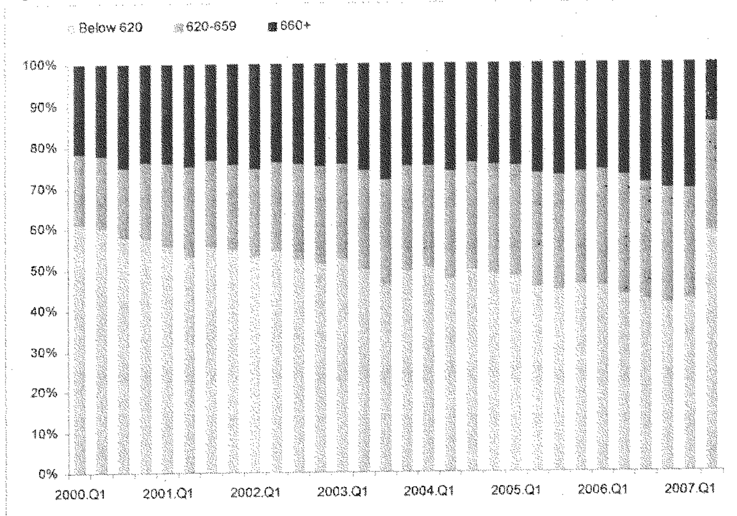
Source: Brookings analysis of the Federal Reserve's 2004 Survey of Consumer Finances

2. Causes of the High Cost of Being Poor

That lower-income households often pay higher prices for basic goods and services is the consequence of three market dynamics. First, lower-income households and neighborhoods tend to represent higher costs for businesses, which drive up prices and ward off some businesses from serving this demographic. For instance, the Federal Reserve's 2004 Survey of Consumer Finances indicates that over 30 percent of households in the bottom income quartile reported to have fallen behind on a bill at some point over the past twelve months, compared to about 10 percent of households in the top income-quartile.[11] Similarly, low-income households have less money to spend than those with higher incomes, which means that some retail businesses must serve more people to achieve a similar profit margin. Businesses rationally respond to these higher costs of doing business by passing them on to low-income consumers in the form of higher prices or by steering clear of these markets. Importantly, these higher costs can also contribute to perceptions of higher costs even in cases or in areas where they might not actually exist, which can decrease retail presence and competition, further increasing prices.

[11] Fellowes 2006.

Figure 4. Distribution of Subprime Loan Recipients, by FICO Score Range



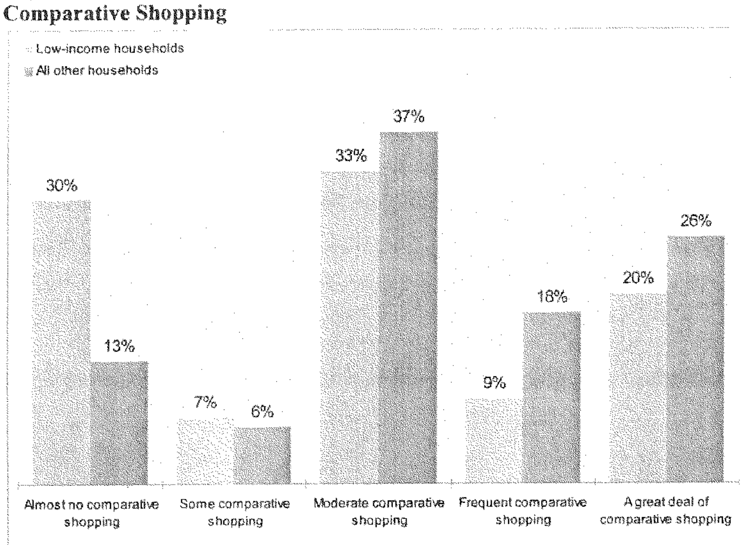
Source: First American LoanPerformance via the Wall Street Journal ("Subprime Debacle Traps Even Very Credit-Worthy," 12/3/07)

Second, in the vacuum left by some businesses avoiding low-income markets, lower-income consumers tend to attract more businesses that charge unusually high prices, either because of an expensive business model or because of excessive profit margins. For instance, nearly 63 percent of non-bank check cashers and 68 percent of payday lenders are located in census tracts that have moderate or low median incomes relative to the national distribution.[12] Although these businesses sell many of the same basic financial services as banks, their business models are more expensive because they rely on far fewer sources of revenues compared to banks. With fewer revenue streams to depend on, non-banks must cover their capital costs – like employees, utilities, and brick and mortar branches – by selling comparable products at much higher relative prices. There are also businesses that serve this demographic group and charge unreasonably high prices. For instance, of the estimated 7.5 million first-lien, subprime mortgages outstanding as of mid-2007, anywhere between 15-50 percent of those were originated to households that had credit scores qualifying them for a lower-priced mortgage.[13] That lower-income households were much more likely as a group to buy subprime mortgages compared to higher-income households, suggests that they were more likely to have unnecessarily paid these higher mortgage prices.

[12] Fellowes and Mabanta, 2008.

[13] Mortgage Bankers Association and First American Loan Performance, quoted from Matt Fellowes. 2007. "The Economic Power of Uncertainty: Assessing the Role of Consumer Credit Bureaus." Speech at the Federal Reserve Board in Washington, DC on December 14, 2007 (available at www.brookings.edu).

Figure 5. Proportion of Low-Income and Non-Low-Income Borrowers Who Do Comparative Shopping



Source: Brookings analysis of the Federal Reserve's 2004 Survey of Consumer Finances

Third, higher cost businesses and practices can flourish because lower-income consumers tend to be less informed consumers than those with higher-incomes, which leads them to purchase higher cost goods and services than might be available. For instance, the 2004 Federal Reserve Survey of Consumer Finances indicates that about 36 percent of households earning less than $30,000 report that they do almost no comparative shopping when buying major credit or loans, compared to just about 13 percent of all other households.[14] Other studies have found that lower-income households are much less likely as a group to understand the importance that credit reports and scores now play in influencing prices for loans, credit, and insurance.[15] Together, this lower level of knowledge about markets for goods and services can put lower-income households at a disadvantage in the marketplace relative to higher-income households, which can lead to their being charged higher prices.[16]

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[14] Fellowes 2006.

[15] See annual survey administered by Providian Financial and the Consumer Federation of America; or General Accountability Office. 2005. "Credit Reporting Literacy: Consumers Understood the Basics but Could Benefit from Targeted Educational Efforts." GAO-05-223.

[16] For an assessment of the role that information plays in price-setting, see Jeffrey R. Brown and Austan Goolsbee. 2002. "Does the Internet Make Markets More Competitive? Evidence from the Life Insurance Industry. *Journal of Political Economy*, 110.

3. Policies that Lower the High Cost of Being Poor

To lower these higher costs of living, federal policymakers must address each of their causes. Steps that a select group of states, cities, and private-sector partners have taken in recent years to do this provide a roadmap for a new federal agenda.[17]

Policy Response #1: Lower Costs of Doing Business with Lower-Income Consumers

Policymakers must first take steps to lower business costs in lower-income neighborhoods through a targeted income or in-kind subsidy. This support can take a number of different forms. For instance, Pennsylvania responded in 2005 to a lack of large grocery stores in mostly lower-income neighborhoods by passing a $20 million subsidy that covers various costs associated with building grocery stores. This modest expenditure, paired with federal tax incentives and private funding, has since attracted over 20 new large grocery stores in previously underserved markets throughout Pennsylvania, bringing lower prices and a more full selection of food items.[18] Similarly, the city and state of New York responded to a high density of expensive non-bank check-cashing businesses in low-income neighborhoods by agreeing to transfer more than $100 million in government revenue for deposit in new bank branches that open in these neighborhoods. More than 30 new bank branches have opened with this support. According to an analysis of 15 of these new branches between May 2005 and April 2006, more than 20,000 checking and savings accounts were opened and $84 million in loans were originated.[19]

Business costs can also be lowered by reassessing how those costs are measured. For instance, numerous studies by Social Compact have found that demand for goods and services in lower-income markets is often underestimated by traditional market demand methods and data, which can depress competition in low-income markets, driving up prices for goods and services. Once properly measured, these data have been used to help attract businesses into lower-income markets where there is more demand than previously thought.[20] Similarly, a growing number of states have questioned how insurance companies measure risk in lower-income neighborhoods. According to Florida's former General Counsel to the Office of Insurance Regulation, for instance, they believed that "the lowest income strata [had] the worst credit scores, and [were] paying higher rates as a result of that." That concern prompted the former Bush administration to demand that insurance companies prove that the use of credit scores in insurance rate algorithms did not statistically discriminate against low-income drivers.[21]

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[17] Many of these ideas for federal policy reform are assessed at more length in Matt Fellowes. 2007. "Putting the Market to Work for the Poor." *Harvard Law and Policy Review*. 1(2).
[18] For more information please see: Pennsylvania Fresh Food Financing Initiative, www.trfund.com/anancing/realestate/supermarkets.html.
[19] For more information please see: New York State Banking Development Districts, www.banking.state.ny.us/bdd.htm.
[20] For more information please see: Social Compact, www.socialcompact.com.
[21] Quoted in Harriet Johnson Brackery, "Insurers, State Duel over Role of Credit Scores in Auto and Home Insurance Rates," Sun-Sentinel, July 13, 2006, at A1.

Finally, leaders are striving to lower business costs by providing in-kind support. For instance, San Francisco launched a major marketing campaign on behalf of banks in 2006 to open up low-cost bank accounts for 20 percent of the population that lacked a bank account – a population that had previously relied on expensive, non-bank check cashers. They met that goal within one year and have since doubled the number of accounts that they want to open. Now, that program has inspired cities across the country to replicate their efforts, and California recently announced that it will be the first state in the country to also replicate this program.[22]

Together, this state, local, and private sector innovation demonstrates that costs of living can be lowered for lower-income families by lowering related business costs. It also provides guidance for how the federal government can similarly strive to lower the high costs of being poor. For instance, the U.S. Treasury Department or one of the banking regulatory agencies could replicate and expand the San Francisco program to help connect lower-income consumers to low-cost, appropriate bank accounts, just as nearly a dozen cities and the state of California are preparing to do. Similarly, numerous institutions have suggested that the federal government capitalize a starter bank account for every newborn in this country, just as an entrepreneur in Maine has vowed to do for every child born in that state.[23] This would potentially provide our next generation of workers with a connection to banks that millions of the current generation of workers lack, paying higher prices as a result. The federal government could also play an important role helping businesses better understand market demand in lower-income markets, which will draw more businesses and price-lowering competition into these markets.

Policy Response #2: Curb market practices that unnecessarily drive up prices

When more businesses can retail goods and services in low-income markets at competitive rates, policymakers can then responsibly take steps to weed out the practices that unnecessarily drive up prices. There are many examples of state and local activity that can inform this type of federal policy response. In the auto market, for instance, California recently became the first state in the country to pass legislation that protects consumers from price-inflating practices by prohibiting auto dealers from adding undisclosed items to a contract and limiting the ability of banks to provide kickbacks to dealers that inflate auto loan prices.[24] The federal government could establish a similar floor for allowable activities in this industry that prevents unnecessarily high prices from being charged to customers, which we have found lower-income consumers much more likely to pay.

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[22] For more information please see: Bank on San Francisco, www.sfgov.org/site/bankonsf_index.asp; William J. Clinton and Arnold Schwarzenegger. "Beyond Payday Loans." *Wall Street Journal*, op-ed, January 24, 2008.
[23] For more information please see: Finance Authority of Maine, www.famemaine.com.
[24] For more information please see: California House Assembly, Bill #68, 2005-2006 Legislation, Regular Session.

In the financial services market, scholars have proposed that the Internal Revenue Service follow California's example of automatically filling out tax forms for households with relatively simple tax forms during a pilot initiative in 2006. That service would eliminate the need of some lower-income households to pay to have their tax returns prepared for them because they lack the expertise to complete these forms on their own – a service they are more likely as a group to pay for compared to higher-income households.[25] There are also now a number of bills circulating in Congress to reign in some of the practices in the mortgage market that may have led to unscrupulously high prices. And Congress could extend the same small dollar loan protections afforded to military personnel in 2006 legislation to non-military personnel.[26]

Policy Response #3: Boost the ability of consumers to find the lowest possible price in a market for a good or service

Lower-income consumers that are better equipped to seek out and bargain for lower prices can also lower the high costs of being poor. One approach is to make financial education more available in K-12 schools by making a basic financial skills test a graduation requirement. Idaho, Illinois, Kentucky, Georgia, New York, and Utah, for instance, all require high schools students to take a financial education course before graduating.[27] Congress could use federal testing requirements, like the No Child Left Behind Act, to encourage schools in more states to also teach basic financial education skills to students.

Unfortunately, federal policy directed at improving the financial sophistication of adults is difficult to recommend at this point because we lack appropriate information about what type of specific interventions work, and how policymakers can help scale those interventions across the country.[28] In response, I, along with colleagues at the New America Foundation and the Center for Financial Services Innovation, am currently developing a legislative proposal designed to help expand our knowledge of what type of policy interventions are needed to help improve the ability of more American households to convert their wages into economic mobility. This proposal will be released in June 2008 and I would be happy to share it with the Subcommittee in advance of that release.

In closing, I want to thank the Subcommittee for holding this important hearing and for inviting me to be part of it. I look forward to working with the Subcommittee to further develop a federal agenda that lowers these high costs of being poor.

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[25] For more information please see: Austan Goolsbee. 2006. "The 'Simple Return: Reducing America's Tax Burden Through Return-Free Filing." Washington, DC: The Brookings Institution.
[26] For more information please refer to the 2007 National Defense Authorization Act.
[27] For more information please see: National Council on Economic Education. 2005. "Survey of the States: Economic and Personal Finance Education in Our Nation's Schools in 2004."
[28] For more information please see: Matthew Martin. 2007. "A Literature Review on the Effectiveness of Financial Education." Working Paper, 07-3. Federal Reserve Bank of Richmond.